



Extending the ocean potential
Annual Report 2020

SALMON
EVOLUTION®

This is Salmon Evolution

A Norwegian salmon farming company targeting a global leading position in sustainable production of high-quality salmon from land-based facilities.

- First production facility under construction at Indre Harøy in Norway, with annual harvesting capacity of 31,500 tonnes HOG fully developed
- Joint venture with Dongwon Industries for a 16,800 tonnes HOG production facility in South Korea – first grow-out production targeted in 2024
- Utilizing a hybrid flow-through system (“HFS”) with 30%-35% fresh seawater intake, reducing complexity and biological risk and securing optimal growth at low cost
- Targeting a position as a global leading land-based farmer, enabled by a strong ESG profile
- On track for ~25,000 tonnes capacity by 2024, clear roadmap for 70,000 by 2030
- Company converted to ASA, and preparations for listing at Oslo Stock Exchange (main list) has started. The up-listing is expected to be materialized in Q2/Q3 2021

Salmon Evolution – Extending the ocean potential

A Norwegian land-based salmon farming company with a goal to become a global supplier of high-quality and sustainable salmon



First production facility under construction in Norway – annual harvesting capacity of target level at 31,500 tonnes head-on-gutted (“HOG”) fully developed



Joint venture with Dongwon Industries for a 16,800 tonnes HOG production facility in South Korea – first grow-out production targeted in 2024



Utilizing hybrid flow-through system (“HFS”) with 30%-35% fresh seawater intake, reducing complexity and biological risk and securing optimal growth at low cost



Targeting a position as a global leading land-based farmer, enabled by a strong ESG profile



Key figures

| | | | |
|------------|-----------------------------------|-------------------|--|
| NOK 1,360m | Total raised equity ¹⁾ | 17 | # Employees ²⁾ |
| NOK 111m | Total committed grants | March 2022 | First smolt release |
| NOK 1,107m | Net cash ¹⁾ | December 2022 | First harvest |
| NOK 220m | Accumulated capex | 25,000 tonnes HOG | Fully funded production capacity ³⁾ |



Indre Harøy drone picture April 2021

1. Figures per 31 December 2020 adjusted for March 2021 NOK 500m equity issue
2. As per April 2021
3. Indre Harøy phase 1 (7,900 tonnes HOG) and K Smart (16,800 tonnes HOG). Financing includes March 2021 NOK 500m equity issue, debt financing for Indre Harøy Phase 1 as per signed committed term sheet and planned financing structure of K Smart.

Conservative approach in a “disruptive industry”

1

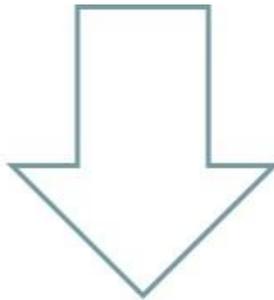
Biology is the most important consideration
→ That's why we have chosen the HSF technology

2

There is much to learn, even though we have decades of experience
→ That's why we start in Norway

3

Large upside through international expansion, but higher complexity and risk
→ That's why we team up with first class local partners when expanding overseas



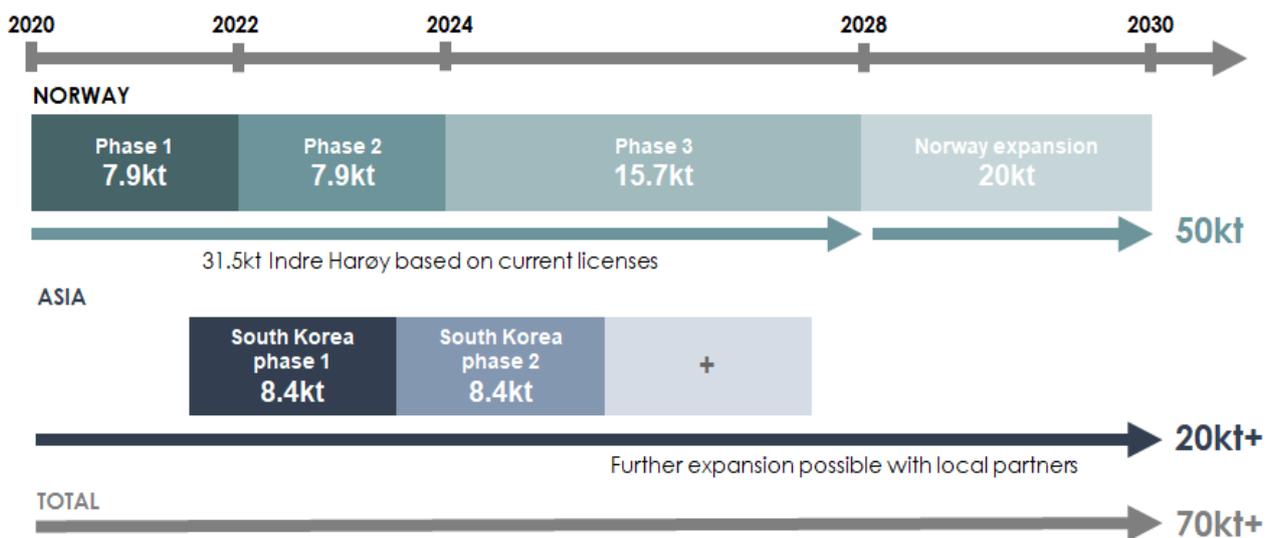
South Korea project illustration (Source: Dongwon)

Roadmap to 70,000 tonnes in 2030

Salmon Evolution targets a leading position in the production of sustainable high-quality salmon from land-based facilities. In addition to its 31,500 tonnes project Norway, the company has international ambitions. Through utilisation of technology, competence and experience from

domestic projects, Salmon Evolution aims to develop projects in targeted growth markets in collaboration with local partners. The Company has a clear road map towards +70,000 tonnes production capacity by 2030 and is already on track for ~25,000 tonnes by 2024.

Roadmap towards +70kt HOG annual harvest



Indre Harøy fully developed

Letter from the CEO

2020 was an eventful year for Salmon Evolution and the high pace has continued into 2021. Following raising NOK 258 million in March 2020 in the middle of the Covid-19 pandemic outbreak, we commenced construction of our ground-breaking project at Indre Harøy in May.

We further raised NOK 50 million through a private placement directed towards Korean seafood giant Dongwon Industries in July which was again followed by a NOK 500 million private placement in September ahead of our listing at Euronext Growth.

In February 2021 we announced the signing of a joint venture term sheet with Dongwon Industries for establishment of a 16,800 tonnes HOG land-based salmon farming facility in South Korea which was later formalized into definitive agreements end of March.

In March 2021 we also raised an additional NOK 500 million in equity which completed the planned equity financing for Indre Harøy phase 1 and our equity commitment for our Korean project.

The project at Indre Harøy is a large project divided into different phases, where the first salmon is expected to be harvested late 2022. Development will be continuous for six to seven years from now, and the facility will at completion comprise an annual production capacity of 31,500 tonnes HOG of salmon, or some 125 million salmon meals per annum. It is with humility and respect we take on this task and we highly appreciate the trust our shareholders have granted us.

We are incredibly proud of our involvement in this project, which is ground-breaking both for our region and for the salmon farming industry,

and we will break many barriers on our way to finalisation.

The salmon industry will keep developing in many directions. Conventional sea-based farming will remain vital also in the future, and we see many exciting initiatives related to offshore farming and closed systems in the open sea.

Land-based farming clearly represents new opportunities and other ways to operate, where new technological approaches and sustainable, stable production with proximity to markets are attractive attributes.



Indeed, our project at Indre Harøy is massive, but we have clear ambitions beyond this. The partnership with Dongwon Industries, one of Korea's largest salmon importers, is a clear testament to this and a solid validation of our HFS technology and its applicability for regions outside Norway. We also strongly believe that having a full scale and operating facility in the middle of the aquaculture cluster in Norway will provide us with invaluable experience and knowledge when expanding internationally.

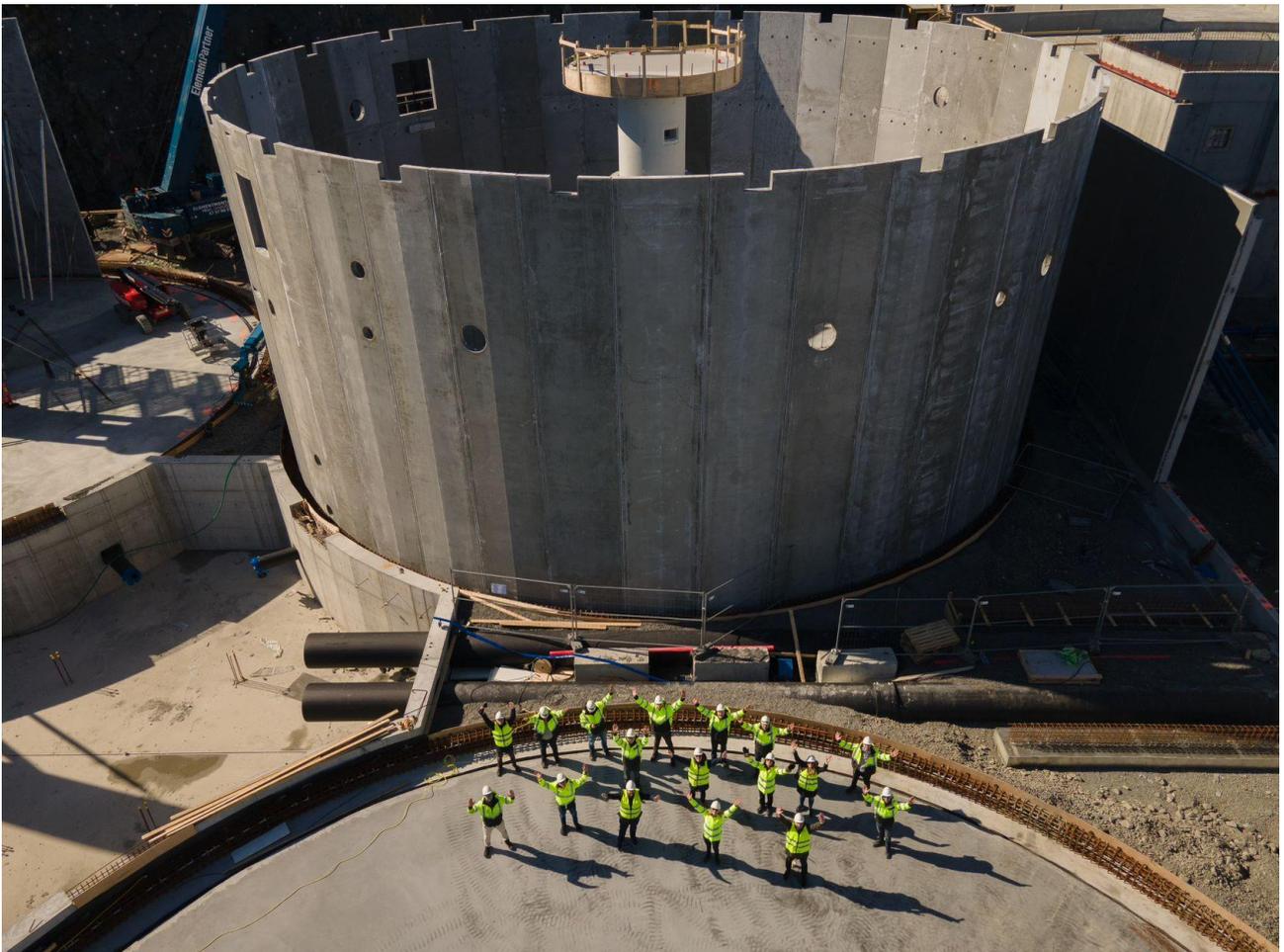
We believe Salmon Evolution has a great potential to produce what the market demands, a fresh, healthy and

sustainable premium product. With the use of our hybrid flow-through system (HFS) we farm our salmon in a closed system with minimum impact on the environment and at the same time providing the best conditions for optimal fish welfare - it's truly a sustainable approach to

producing the world's best and healthiest protein.

We are very excited about what the future will bring, and we are grateful to take part in shaping a new industry in coming years.

Håkon André Berg
CEO, Salmon Evolution



Indre Harøy April 2021

Company description

Our story

Salmon Evolution was established in 2017 to pursue salmon farming on land. As a member of the Norwegian aquaculture cluster, the company has unmatched access to fresh seawater, expertise, renewable energy and an established infrastructure. We emphasise rational operation, fish welfare and minimal environmental impact. Using clean water from the coast the company creates optimal farming and environmental conditions, better growth and shorter production time. Treating wastewater and reusing marine resources will help minimise our environmental footprint.

In July 2018, Møre og Romsdal county council awarded the company a licence for the facility that was planned to build at Indre Harøy. This permits a maximum standing biomass of 13,300

tonnes of salmon and an annual output of 31,500 tonnes HOG. That corresponds to about 125 million salmon meals per year.

In January 2019 the company raised and secured NOK 50 million through a private placement with strong industrial ownership. Further, in March 2020 the company raised NOK 258 million through another private placement where new and existing industrial owners made a continued commitment.

The company raised a further NOK 50 million in July 2020 through a private placement directed towards Dongwon Industries. Another NOK 500 million in equity was raised in September 2020 ahead of the company's listing on Euronext Growth.



In March 2021 the company raised another NOK 500 million in equity and announced that it will apply for a listing on the Oslo Stock Exchange main list.

Construction of phase 1 at Indre Harøy is well underway and first harvest is expected late 2022 with the first smolt being put into the grow out

tanks during spring 2022. Phase 1 will have a production capacity of 7,900 tonnes HOG and fully developed Indre Harøy will have a production capacity of 31,500 tonnes HOG. The facility's location ensures that it can adopt the most suitable technology for farming fish on land using a hybrid flow-through system (HFS).



Indre Harøy April 2021

JV with Dongwon Industries for South Korean expansion

The company has also entered a joint venture with the South Korean seafood giant Dongwon Industries to develop, construct and operate a 16,800 tonnes HOG land-based salmon farming facility in South Korea using Salmon Evolution's technology and competence.

The joint venture will be named K Smart Farming ("K Smart"). The project will be completed in two phases, with each phase aiming to achieve an annual capacity of 8,400 tonnes HOG, 16,800 tonnes combined. Total project cost for phase 1

including capex, project management, contingencies and working capital build up, is estimated to NOK 1.6 billion.

Under the terms of the Joint Venture agreement, Dongwon Industries will facilitate debt financing for K-Smart and Salmon Evolution's total equity contribution for 49% ownership is estimated to about NOK 200 million on a fully funded basis. Phase 2 of the project is planned financed through a combination of bank debt and retained earnings.

Salmon Evolution's equity contribution will be split in milestone driven tranches, reflecting the overall progress of the project. Salmon Evolution expects to execute its first tranche of close to NOK 30 million during April 2021. Together with Dongwon's initial equity investment into K Smart,

the proceeds will be used to finance: (i) design and engineering, (ii) site evaluation and permitting, (iii) acquisition of an existing and operating smolt facility in Jeongseon of which closing has already taken place and (iv) general corporate purposes.



Salmon Evolution and Dongwon target construction start during 2022, with commencement of grow out production in 2024. The parties have identified a production site in Yangyang on the north east coastline of South Korea with solid data points on water quality and temperatures. Preliminary estimates indicate an EBITDA cost of NOK 39-41/kg (HOG) and an EBIT cost of NOK 44-46/kg (HOG).

As part of the collaborations, the parties will cooperate to establish branding and marketing of premium, land-based Atlantic salmon from

K-Smart and Salmon Evolution in the Korean market. K Smart will be responsible for all development-costs and investments related to the project.

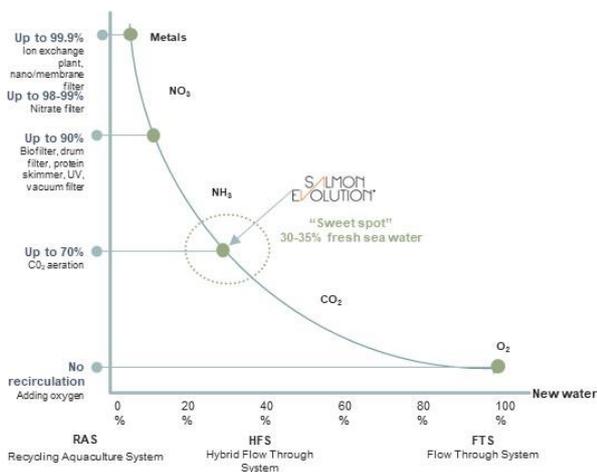
The Joint Venture agreement also contains a comprehensive set of corporate governance principles, aimed at serving as a solid foundation for a long-term partnership between Salmon Evolution and Dongwon.

The two parties will jointly consider future opportunities for scaling similar projects in other attractive markets in the region.

Our Technology

Salmon Evolution is founded on the belief that good biology equals good economy. This belief has been essential when developing the production methods and technology that are to be applied in the company's land-based salmon farming facilities.

Salmon Evolution's hybrid flow-through system (HFS) technology ensures rich access of fresh filtered seawater while at the same time reducing energy consumption by reusing around 65% of the water.



A reuse level of around 65% is in the company's view a "sweet spot" balancing cost and operational risk. Higher reuse levels require the introduction of more filtration and water treatment and lead to an exponential increase in risk. On the other will a lower level of reuse lead to significantly higher energy costs in connection with pumping and heating of water.

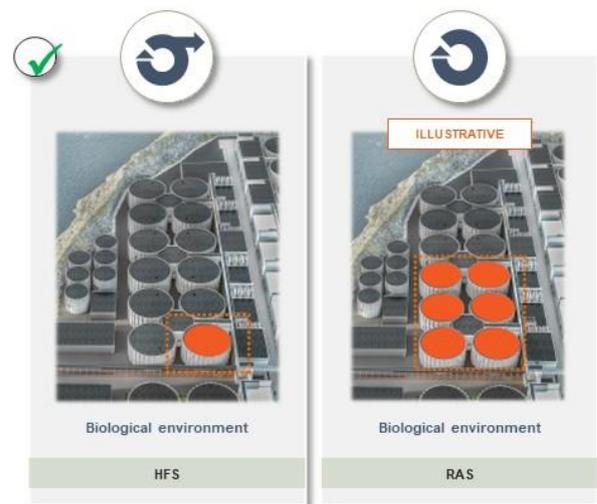
At Indre Harøy the seawater intake is based on two intake pipes at 25 meters and 90 meters, respectively, enabling the company to tap into ideally tempered water and hence reducing

energy costs in connection with the heating of seawater.

The water intake is further filtered and treated with UV to eliminate parasites, sea lice, viruses, and particles. This ensures a rich flow of fresh and clean seawater into the fish tanks.

To ensure optimal biological and growth conditions in the fish tanks, oxygen and CO₂ levels are constantly monitored and adjusted.

Each of Salmon Evolution fish tanks represents an individual biological zone, meaning that water in one tank never mixes with water in the other tanks. This again serves as a significant risk reducing measure in case of diseases etc. where a potential outbreak in one tank never can contaminate the fish swimming in the other tanks.



As part of Salmon Evolution commitment to a truly sustainable production and circular economy, waste is filtered and collected, before being transported to a recirculation plant where it is converted into fertilizer, biogas or similar.

Our Vision

.. is to be a beacon for sustainable development by extending the ocean potential.

Responsible, highly competent, and inventive

Our concept is based on preserving and reusing marine resources and minimising our environmental footprint.

Farming fish on land, with each tank as a defined and isolated biological zone, gives us full control of water parameters and the production environment in order to eliminate lice and other parasite as well as minimising infection.

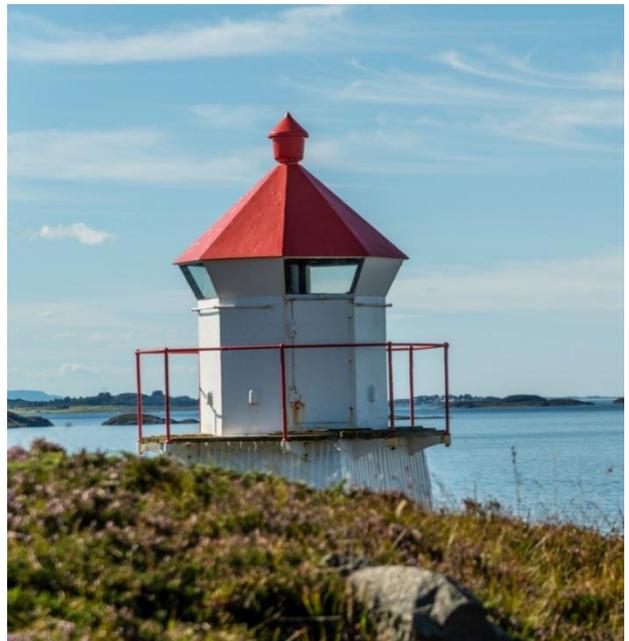
A closed system also means that there is no risk of the salmon escaping from the farm.

Combining supplies of clean and fresh seawater with reuse, minimise energy consumption for pumping and heating of water in the farm. That contributes to competitive operating costs, even when compared with farming in the sea.

Our energy plant has a very high output in relation to the energy used. It ensures a high and

stable temperature which contributes to increased growth.

Treating waste-water and reusing fish sludge to produce biogas and short-travelled fertiliser are among our contributions to a circular economy.



Sustainability

We will achieve our vision of being a beacon for sustainable development by promoting a culture where sustainability and profitability reinforce each other.

A growing need for sustainable farmed salmon

The Food and Agriculture Organization (FAO) of the UN predicts that the world's population will reach 9.7 billion by 2050, and the demand for food is set to increase by 50%, requiring a significant increase in protein production. Seafood will be an important contributor to this growth. However, growing demand for seafood will increase pressure on already over-exploited wild fish resources, which is why aquaculture in general, including salmon farming, is required to efficiently manage

and maintain both wild fish stocks and the ocean's natural biodiversity.

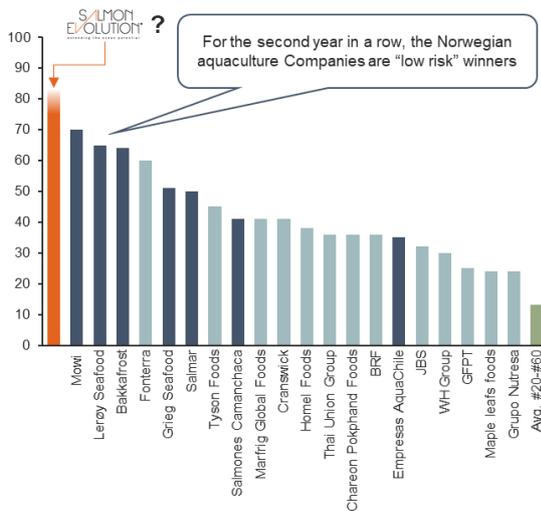
Salmon is among the most efficient protein sources to produce, with a feed conversion ratio (FCR - the amount of feed an animal needs to gain one kilogram of body weight) well below other comparable species. Salmon also has a high harvest yield (% left after inedible parts are removed) compared with other farmed animals.

| Protein production facts ¹ |  |  |  |  |
|---|---|---|---|---|
| Carbon footprint (g CO ² /40g edible meat) | 0.60 | 0.88 | 1.30 | 5.92 |
| Feed conversion ratio | 1.2 | 2.0 | 3.5 | 8.0 |
| Harvest yield | 68 % | 46 % | 52 % | No data |
| Water consumption (litres/kg) | 2,000 | 4,300 | 6,000 | 15,400 |

¹ Global Salmon Initiative Organisation, Sustainability Report 2019

Salmon farmers are global leaders in sustainable protein production

FAIRR Index² 2019 average risk score



Salmon Evolution aim to score well on all criteria set by FAIRR

| Risk factors in FAIRR | Key KPIs (FAIRR) | SE vs traditional farmers ("TF") - mgmt. estimate |
|-------------------------------------|---|---|
| Greenhouse gas emissions | <ul style="list-style-type: none"> Targets for emission reduction Quality of GHG inventory | SE score is significantly higher than TF score. |
| Deforestation and biodiversity loss | <ul style="list-style-type: none"> Escape from fish farms Disease management | SE score is significantly higher than TF score. |
| Water scarcity and use | <ul style="list-style-type: none"> Management of water use Water exposure of supply chains | SE score is significantly higher than TF score. |
| Antibiotics | <ul style="list-style-type: none"> Policy to avoid routine use Report-quantified use of antibiotics | SE score is significantly higher than TF score. |
| Waste and pollution | <ul style="list-style-type: none"> Waste management Disclosure of non-compliance | SE score is significantly higher than TF score. |
| Working conditions | <ul style="list-style-type: none"> Injury rates Safe and fair working conditions | SE score is significantly higher than TF score. |
| Food safety | <ul style="list-style-type: none"> Product traceability Disclosed food recalls | SE score is significantly higher than TF score. |
| Animal welfare | <ul style="list-style-type: none"> Policy and performance Stocking density / stunning | SE score is significantly higher than TF score. |

Land-based salmon farming addresses industry challenges

The global increase in need for food, combined with stronger preferences for healthy and sustainably produced proteins, has led to a strong growth in demand for salmon over the last decades. This increase has been covered by a continuous expansion within conventional

farming. However, due to increasing biological and sanitary challenges, future growth for conventional farming is expected to be limited, at least until viable solutions addressing these challenges are in place.

- 1. Untreated fish waste and waste handling:** Nature of conventional salmon net pens imply issues with discharge of untreated sewage, diseases, and parasites into coastal waters
- 2. CO2 footprint,** particularly from long haul transport and distribution
- 3. Diseases, parasites, and sea lice** are widespread in conventional salmon farming, causing considerable damage commercially
- 4. Varying climate** and increasing water temperatures can potentially cause stressed and less healthy fish
- 5. Mortality** and losses in production is known to be a challenge for sea-based salmon farmers
- 6. Escapes** in sea-based salmon farming are expensive and potentially damaging to wildlife

To compensate for the growth limitations in conventional farming, new methods and technologies addressing biological and environmental challenges are developed, including land-based farming. Addressing a

broad range of industry challenges, combined with significant expansion potential, land-based farming represents an important part of the solution for future growth.

² Collier FAIRR Protein Producer Index Report – The 2019 Index. Salmon Evolution ranking based on management estimate

Salmon Evolution address sustainability

Social responsibility and sustainability are an integrated part of Salmon Evolution's business model and enshrined in our ethical guidelines. We believe that responsible and sustainable business behaviour contributes to better organisational, financial, environmental, and social results.

Lower environmental impact

Zero escape: Our land-based concept reduces the local environmental impact through greater production control and a circular economy. There is no risk of salmon escaping from the farm.

Optimized energy consumption: Combining clean and fresh seawater with reuse means energy consumption for pumping and heating water is minimised. Our energy plant has a very high performance in relation to the energy used. That contributes to competitive operating costs, even when compared with farming in the sea.

Treating wastewater and reusing sludge will also help to minimise our environmental footprint and is one of the contributors to a circular economy. Waste and feed residues from production are collected and will be used a raw material for biogas production and short-travelled fertiliser.

Improved fish welfare

Control over the production environment and stable water parameters ensure better fish health, increased growth, and shorter time to harvesting.

The risk of parasites like salmon lice is strongly reduced by taking in seawater from depths of 25 and 90 metres. Cleaning and disinfecting intake water create an infection-free

environment and reduces the risk of illness. The company also minimise risk by making each tank a defined biological zone.

Minimal handling will create good growth conditions and opportunities for optimal feeding and reduced losses during the production cycle.

Safe and efficient operation

Our hybrid flow-through system (HFS) is utilised to take in – and replace – large quantities of clean and fresh seawater from the ocean. In addition to utilising water with the same good quality as traditional Norwegian cage-based farming, we have sufficient space and access to the necessary resources for large-scale production on land.

Safe and efficient operations, combined with optimising water-quality parameters, reduces time to harvesting for each generation from 16

to 12 months. That lays the basis for greater production efficiency and optimal utilisation of our licensed volume.

The company is planning to build fish farms on land in other parts the world with the aid of the HFS technology chosen for our Indre Harøy facility. In addition to the value potential offered by building similar installations elsewhere, this will allow us to be a beacon for sustainable development of global seafood production.

Markets

Overall description

Salmon Evolution targets to play a significant role in the global salmon industry, and to be a driving force in the development of land-based salmon farming. Global production of Atlantic salmon reached about 2.7 million tonnes LW in 2020. This represents almost a doubling over the last decade and a yearly growth of 6.5% since 2010.

The salmon industry has for many years benefitted from several major global macro trends that have led to a significant demand growth, hereunder increased global population and a growing middle class, increased focus on eating healthy food, and resource efficient and climate friendly food production.

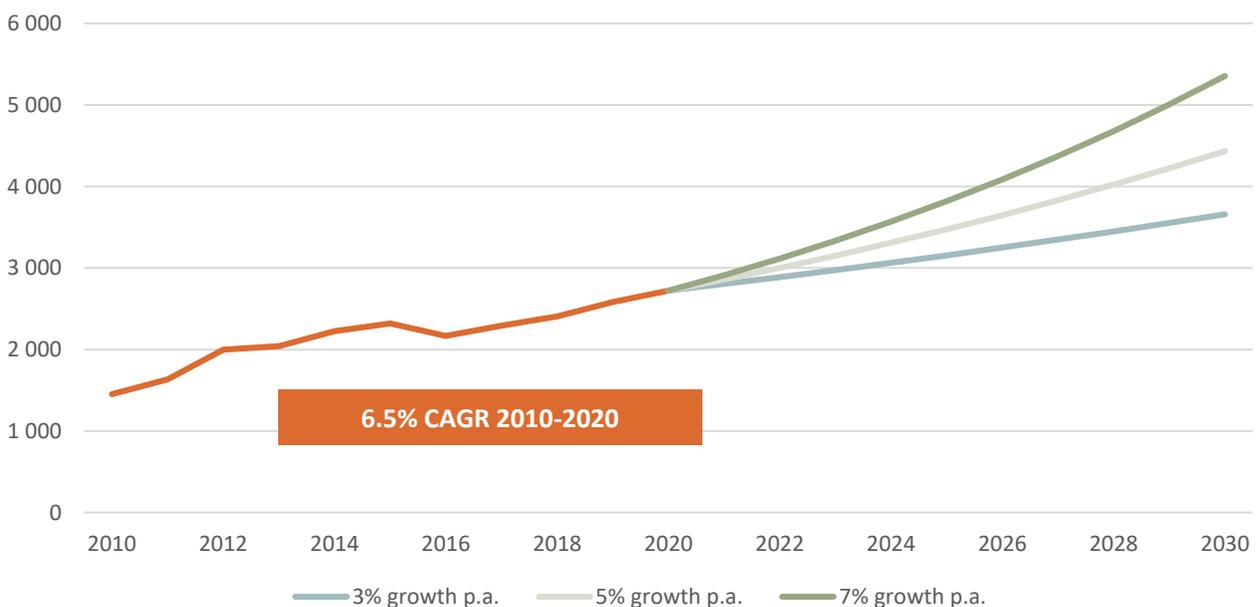
Global supply of Atlantic salmon has seen an impressive increase over the last decades, but in recent years the growth has come significantly down. The reason for this is that the industry has

reached a production level where biological constraints put limit to further growth.

Looking ahead for the next decade, a 3–7% yearly growth in salmon demand implies a total production of around 3.7-5.4 million tonnes by 2030 which represents an increase of around 1.0-2.7 million tonnes.

This backdrop combined with the prospect of limited supply growth within conventional farming in the coming years, have led to the development of new production methods such as land-based, offshore and ocean based closed systems. Conventional farming will play a key role in the salmon farming industry for many years to come, but other production methods such as for example land-based farming will likely be necessary to serve the steadily increasing demand for Atlantic salmon.

World production of Atlantic Salmon (LW, '000 tonnes)



Source: Kontali, Salmon Evolution

Competitive landscape and market opportunities

Norway is by far the largest producer of Atlantic salmon today with a market share of about 50% followed by Chile at around 25%. Common for both is that most of their production is exported, with a significant portion of the volume being sold fresh to overseas markets requiring airfreight.

Transportation of salmon via airfreight is expensive and the rise of land-based salmon farming enables production in end-markets and thereby eliminating the need for airfreight and creating a foundation additional margins as pricing for in-market produced fish will likely be benchmarked with imported fish.

Salmon Evolution has significant international ambitions and the joint venture with Dongwon Industries is a strong demonstration of this.

However, Salmon Evolution acknowledges the challenges of producing fish on land, which is reflected in the company's choice of technology, hereunder our hybrid flow-through system (HFS).

Salmon Evolution also acknowledges that building a land-based salmon farming facility is a complex process which is why our first facility is being built in Norway in the middle of the aquaculture cluster to serve as a best practice facility when expanding abroad. Finally, when expanding internationally, Salmon Evolution is confident that project execution can both be fast-tracked and significantly de-risked by teaming up with strong local partners, such as Dongwon Industries.



Dongwon Industries processing plant in Busan, South Korea

Business plan and strategy

Goals and ambitions

Salmon Evolution's goal is to become a globally leading producer of land-based Atlantic salmon. The company is focused on extending the ocean's potential by transferring the best preconditions offered by the sea to farm fish on

land through its hybrid flow-through system (HFS) technology. This secures a truly sustainable production process with controlled and optimal growth conditions and limiting operational and biological risk.

Strategic priorities and opportunities

Salmon Evolution already has a tangible pipeline of close to 50,000 tonnes HOG through its projects at Indre Harøy (31,500 tonnes) and K Smart (16,800 tonnes). Through further expansions the company targets a production capacity of 70,000 tonnes by 2030.

While further growth is important, the company's core near term focus is to secure optimal project execution of the projects at Indre Harøy and in Korea. This includes growing the organization, establishing quality and control systems as well as a digital infrastructure ahead of commencement of grow-out production during spring 2022. Salmon Evolution also has strong ambitions as to the commercial aspect of fish

farming, hereunder sale and distribution. The high degree of fresh seawater usage in our production combined with optimal growth conditions in our tanks are expected to result in a healthy and tasty fish with a firm texture which provides a solid foundation for establishing a good reputation in the market.

The environmental aspect of our production with a closed system production method, collection and recirculation of waste, zero sea lice and no escapes also have some very attractive attributes that warrants a price premium in the market. During 2021 Salmon Evolution will further intensify its commercial efforts in preparation for first harvest late 2022.

Capital strategy/priorities and funding

The company will in the coming years actively seek to optimize its capital structure and have a balanced mix of equity and debt. Although land-based salmon farming to a large extent have had to mainly rely on equity financing in the past, the company sees increasing appetite amongst banks for more traditional bank debt financing structures. Nevertheless, banks appear conservative and selective which is reflected in fairly low loan to values.

Going forward and along with land-based salmon farming facilities commencing

operations and obtaining proof of concept, the company believes this positive trend will continue and eventually also facilitate higher loan to values which again will facilitate further growth.

Salmon Evolution also sees interesting opportunities for alternative financing structures, for example through partnerships such as K Smart. This and similar structures represent a capital efficient way of growing production while at the same time scaling and leveraging the organization's competence and knowhow.

Management

General comments on experience and competence

The company have a dedicated management team with extensive experience from the aquaculture industry, and a well-developed organisation with the necessary competence and execution capabilities.

Roles and CV's



Håkon André Berg, CEO

Håkon André Berg became our CEO in the spring of 2020 after serving as CFO from November 2019.

With a background in management of strategy and business development, he has extensive industrial and financial experience and expertise from various private-equity related companies.

That includes almost 15 years of experience in finance, including as a partner in the private equity companies Broodstock Capital Partners and Midvestor Management. He has been an associate at Argentum Private Equity and an analyst at Bridgehead Corporate Finance. In addition, he holds

board appointments at a number of companies in the aquaculture sector, and he is currently chair of Pure Norwegian Seafood.

Berg has a BSc in business economics from the BI Norwegian Business School, and MSc studies specialising in finance at the Norwegian School of Economics (NHH).

Berg owns 75,075 shares and holds 450,000 share options in Salmon Evolution through the company Carried Away AS.



Trond Håkon Schaug-Pettersen, CFO

Trond Håkon Schaug-Pettersen took over as our CFO on 1 January 2021.

He brings extensive experience from both the salmon industry and the capital market. Prior to joining Salmon Evolution he served over 4 years as Senior Vice President Finance and Business Development at Hofseth International.

Before joining Hofseth International, Schaug-Pettersen worked for nine

years as an investment banker at Swedbank/First Securities advising Norwegian and international companies on IPOs, equity and debt capital raisings, M&A and strategy.

Schaug-Pettersen has a BSc in Economics and Business Administration from the NHH Norwegian School of Economics. Schaug-Pettersen owns 166,666 shares and holds 375,000 options in Salmon Evolution.



Ingjarl Skarvøy, COO

Ingjarl Skarvøy is one of our founders and served as our first CEO. He has more than 30 years of experience from the aquaculture sector, including regional manager for Salmar Farming, CEO of Salmar Rauma and regional manager for Pan Fish Norway.

Skarvøy owns 1,800,150 shares and holds 100,000 share options in Salmon Evolution through the company Terra Mare AS.



Kamilla Mordal Holo, Project Director

Kamilla Mordal Holo has 16 years of experience from the construction sector, including the post of project manager at the Norwegian Public Roads Administration responsible for the highway network in Møre og Romsdal county. She has also been project and construction manager at engineering and consultancy company 3S Project.

Mordal Holo has an MSc in civil and environmental engineering from the Norwegian University of Science and Technology (NTNU).

Mordal Holo owns 60,060 shares and holds 100,000 share options in Salmon Evolution through the company C10 Holding AS.



Trond Valderhaug, CCO

Trond Valderhaug has more than 20 years of experience in the seafood industry and began his career in Pan Fish in 1998.

He joined us after spending four years as regional sales director Asia at Mowi.

He has also held leading posts in Pan Fish/Marine Harvest Group, including two years as sales director EU origins and sourcing in Miami, USA.

Valderhaug holds 150,000 share options in Salmon Evolution.

Board of directors

Regional and international entrenchment and industry-based expertise characterise our directors. Their common denominator and driving force are a belief in farming salmon sustainably on land, based on the board's overall expertise and the choice of the right technology.

Roles and CV's



Tore Tønseth, Chairman of the board

Investment vice president at Ronja Capital and has worked in the financial market for more than 15 years. Earlier appointments include share analyst in both Sparebank 1 Markets and Pareto Securities, with seafood, technology and industry as special fields.

He was responsible for seafood analyses at SpareBank 1 Markets

from 2013 to 2019. At the same time, he was in frequent demand as a speaker in Norway on seafood, finance and sustainability. Tønseth also has a

background from various technology start-ups, where he has been both product manager and system developer.

Tønseth has an MSc in economics and administration from the Norwegian School of Economics (NHH), specialising in finance and econometrics. Ronja Capital is our largest shareholder.



Peder Stette, Board Member

Peder Stette has been in the fishing and aquaculture industry for the last 25 years. From 1994 he developed Peter Stette AS to be an important supplier of technical solutions to the industry before merging with Optimar in 2014. Optimar was later sold to Haniel in 2017, and Peder had the position as CTO and later CCO in Optimar until 2021. He is now the CEO of

Stette Holding, a family investment company.

Peder Stette holds the position as director of Aply Medical, Invisible Connections, Biaton, NSP Aid and others. For the coming years he will use his knowledge and experience to build values in the companies the Stette family is invested in.



Anne Breiby, Board Member

Anne Breiby has a BSc in fisheries biology from the University of Tromsø and experience as aquaculture coordinator for the director of fisheries in Nordland county, organisation secretary for the Norwegian Fish Farmers Association, political adviser in the Ministry of Fisheries and state secretary (junior minister) in the Ministry of Trade and Industry.

Over the past 20 years, Breiby has been self-employed with boardroom work as her main activity.

She has board experience from inter alia Ulstein Group ASA, Rem Offshore ASA, Folketrygdfondet, Norges Sjømatråd AS and Sparebanken Møre. She is currently chair of Tafjord Kraft AS and St Olavs Hospital HF.



Ingvild Vartdal, Board Member

Ingvild Vartdal has a law degree and long experience as a corporate lawyer, and is currently a lawyer and partner in Adviso Advokatfirma AS. She specializes in corporate and international tax and has extensive experience from these areas in industries like fishing, shipping and finance. She has previously worked as a lawyer and partner in Advokatfirmaet Schjødt AS, in

KPMG Law, and as a legal consultant at Bærum tax office. Vartdal has also been a member of the law committee for tax law.

Vartdal holds several directorships and has experience from business management in both private and listed companies.



Glen Allan Bradley, Board Member

Glen Bradley is chair of Rofisk AS, which owns Rostein AS. The latter is one of the world's leading well boat owners and ranks among our substantial shareholders.

He has the equivalent of a BSc in economics, strategy and international marketing, and more than 20 years of

experience in the salmon industry. He is currently deputy CEO of Rostein AS.

As a director and shareholder, Bradley wants to use his experience and big commitment to the salmon industry to help us become an important company, both for the region and for our owners.



Yun Ki Yun, Board Member

Yun Ki Yun is CFO of Dongwon Industries, one of Korea's leading seafood companies. He has more than 20 years of experience in mergers and acquisitions (M&A) and finance, concentrating on M&As in warehouse logistics and aquaculture since joining the Dongwon group in 2017.

He began his career with CJ Group, specialising in media-related M&A. He

followed CJ Group's media involvement from a pure content provider to distributing content in the cable TV segment. He also worked earlier on derivative sales for Colling Stewart in Singapore.

Yun has a BSc from Yonsei University and an MSc in finance from London Business School.



Janne-Grethe Strand Aasnæs, Board Member

Janne-Grethe Strand Aasnæs is the CEO and majority owner of Strand Havfiske AS, an Ålesund based fishing vessel company mainly engaged in whitefish and pelagic business. She has prior to that been engaged in the financial industry as a financial analyst/portfolio manager and manager of client relations within asset

management. She holds an MBA and is a Certified financial analyst (AFA).

Janne-Grethe holds several directorships in both the private and public sector and has a long experience in managing and developing companies.

Kristofer Reiten, Board Member



Kristofer Reiten has been CEO of Vikomar AS since 1995. This modern fish processing company specialises in the production, freezing and distribution of pelagic species.

With his experience and knowledge, Reiten wants to participate in realising a paradigm shift in Norwegian aquaculture by farming and creating a sustainable salmon on land – a fish which has swum in

clean seawater from the Norwegian coast, which has not been exposed to lice problems and which has experienced minimum handling during its life cycle.

Reiten is one of our original owners and he is also a part owner of Romsdalsfisk AS which is a substantial shareholder in Salmon Evolution.

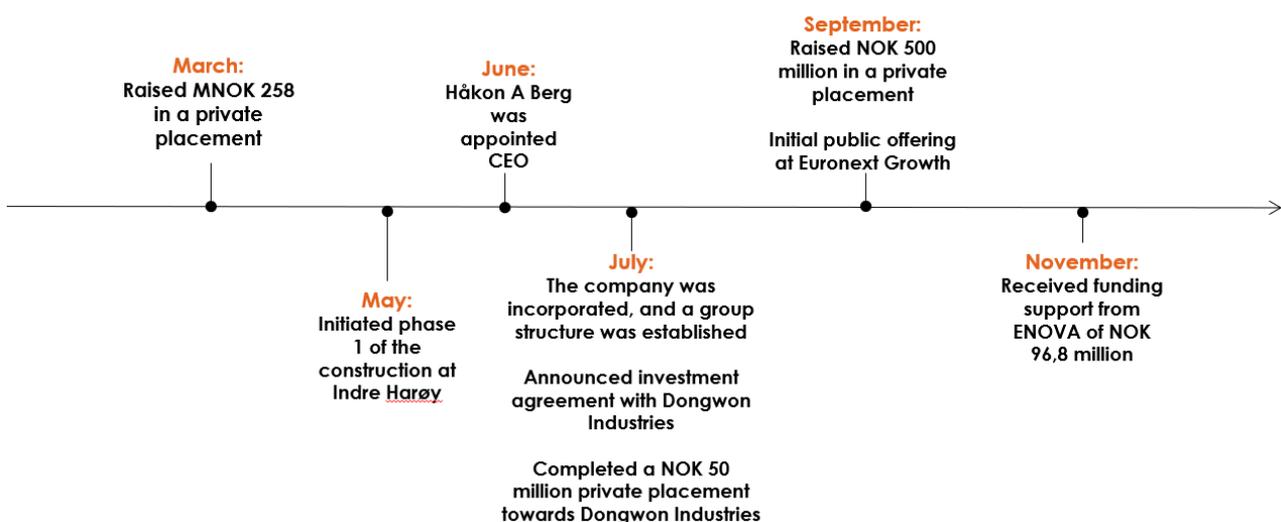
Board of Directors report

Introduction/summary

The Board of Directors is responsible for the overall management of the Company and may exercise all the powers of the Company. In accordance with Norwegian law, the Board of Directors is responsible for, among other things, supervising the general and day-to-day management of the Company's business; ensuring proper organisation, preparing plans and budgets for its activities; ensuring that the Company's activities, accounts and asset management are subject to adequate controls and to undertake investigations necessary to ensure compliance with its duties. The Board of Directors may delegate such matters as it seems fit to the executive management of the Company (the "Executive Management").

The Company's Executive Management is responsible for the day-to-day management of the Company's operations in accordance with instructions set out by the board of directors. Among other responsibilities, the Company's CEO is responsible for keeping the Company's accounts in accordance with existing Norwegian legislation and regulations and for managing the Company's assets in a responsible manner. In addition, at least once a month the Company's CEO must brief the Board of Directors about the Company's activities, financial position and operating results.

Important events in 2020



Operational development

Status Indre Harøy

Since the groundwork started in May, the Phase 1 project at Indre Harøy has developed according to plan.



Construction start ceremony

The main contractor, Artec Aqua, has entered into agreements with subcontractors who are currently working on site.



Blasting work for the fish-tanks and buildings is completed, and the masses have been transported out or crushed for reuse. Concrete works, including foundations for buildings and tanks, started in September and will continue in the coming quarters. Tunnel for wastewater was successfully finished in December.



Completion of wastewater tunnel

Construction work through the first quarter of 2021 will mainly be on production facilities, where the company is to start the assembly of fish-tanks.

The company remains on track for the first smolt release which is scheduled to be in March 2022.

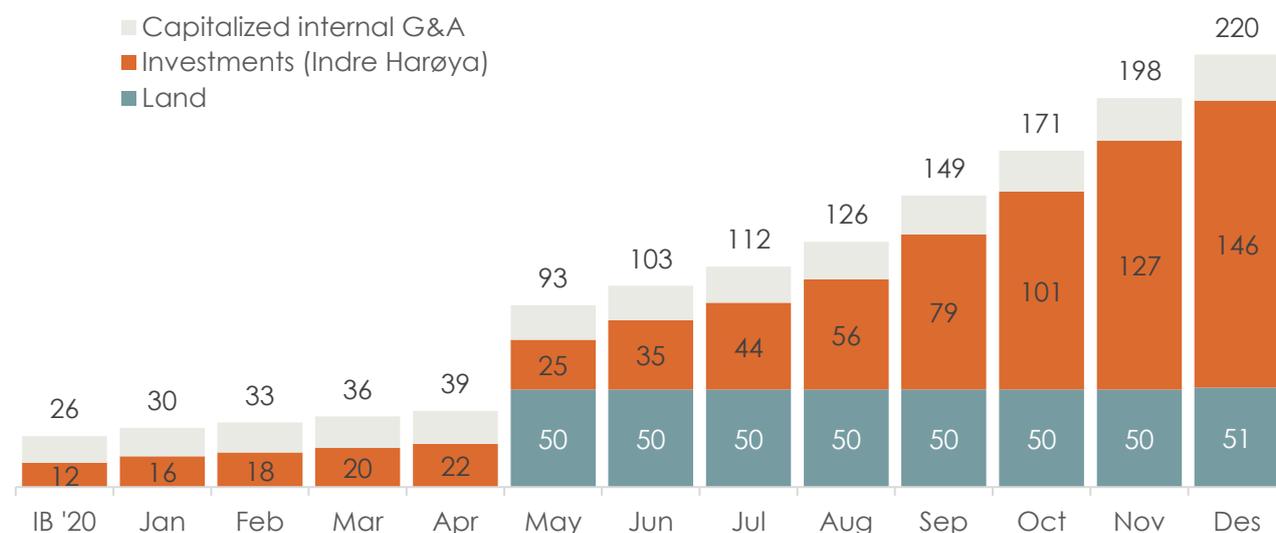
Currently some 80 workers are working on site. As workload increase the number of workers on site will increase going forward and is expected to peak at around 200 people during summer 2021.

Along with the higher activity work complexity also increase. To reduce risk for accidents, Salmon Evolution aims for a close dialogue with contractors and workers to secure controlled and safe project progression.

As per 31 December 2020, accumulated capex from project initiation in 2019 amounts to NOK 220.0 million.

In May 2020, Salmon Evolution acquired necessary land for the development and construction of the facility at Indre Harøy. Capex related to land investments accounts for approximately 1/4 of the total capex for 2020.

Accumulated CAPEX 2020 (NOK million)



Events after balance sheet date

Joint Venture

On 26 February 2021 Salmon Evolution signed a joint venture term sheet with Dongwon Industries for the 49/51 owned joint venture to develop, construct and operate a land-based salmon farming facility in South Korea using Salmon Evolution's HFS technology. The project is aiming to achieve an annual capacity of 20,000 tonnes LWE.

Salmon Evolution and Dongwon target construction start during 2022, with commencement of grow out production in 2024.

The term sheet was later formalized into definitive agreements on 31 March 2021.

Successful Private Placement

On 11 March 2021 the Company announced that a Private Placement was successfully placed through the conditional allocation of 83,333,333 shares, each at a subscription price of NOK 6,00 per share, raising gross proceeds of

approx. NOK 500 million. Following completion of the Private Placement the Company have a share capital of NOK 15,153,221 divided through 303,064,421 shares, each with a nominal value of NOK 0.05.

Conversion to public limited company

At the extraordinary general meeting that was held on 18 March 2021 the shareholders approved the conversion of the Company from a private limited liability company (AS) to a public limited liability company (ASA).

In addition to this, the board resolved to initiate a process for applying for an up-listing of the Company's Shares to the main list at Oslo Stock Exchange and aims to complete such up-listing during Q2/Q3 2021.

Signed committed term sheet for NOK 625 million debt financing package

On 16 April 2021 the Company announced that it had entered a committed term sheet (the "Term Sheet") with Nordea as agent and Sparebanken Vest as co-lender (jointly the "Lenders") for a senior secured debt financing package of up to NOK 625 million relating to its phase 1 build out at Indre Harøy.

The debt financing package consists of the following credit facilities:

- NOK 525 million senior secured credit facility which will be used to finance construction capex for Indre Harøy phase 1 (the "Construction Facility")
- NOK 525 million in long term debt which will refinance the Construction Facility upon completion of Indre Harøy phase 1 and consisting of the following:
 - NOK 385 million senior secured term loan facility with the Lenders (the "Term Loan Facility")
 - NOK 140 million in a separate long term loan facility with a third-party lender (the "Third-Party Loan"). The Third-Party Loan will be subject to a coordination

agreement with the Lenders and the Company has a separate process ongoing to secure and finalize this facility

- NOK 100 million senior secured overdraft facility (the "Overdraft Facility") which will be used for working capital purposes, hereunder financing of biomass and receivables

The Construction Facility and the Term Loan Facility is partly guaranteed by the Norwegian Export Credit Guarantee Agency ("GIEK"). The Term Loan Facility will be repaid over a 15-year profile and have a 3-year term from completion of Indre Harøy phase 1 with 2x1 year extension options.

Credit committee approvals have been undertaken by both the Lenders and GIEK and the debt financing package is further subject to customary conditions precedent, including due diligence and finalization and signing of legally binding documentation.

The Company expects closing of the respective facilities during Q2 2021.

Financial performance

Going concern

The consolidated financial statement is prepared in accordance with International Financial Reporting Standards (IFRS). The Board confirms that it is appropriate to prepare the Annual Report based on a going concern assumption. The Group believes it is adequately funded and has access to additional capital if required.

Income statement

Full year 2020 sales amounted to NOK 0.7 million.

Personnel expenses summed up to NOK 8.9 million, which includes NOK 2.5 million in provisions for the Company's incentive program. Other operating expenses totalled NOK 9.0 million. The increases from last year reflect the higher activity level in the company

and the continued progress at Indre Harøy. The operating loss was NOK 17.7 million.

Total depreciations were NOK 0.6 million and net financials was positive at NOK 0.9 million, resulting in a loss before tax of NOK 16.8 million.

Assets under construction is not depreciated.

Cash flow

Net cash flow from operations ended at NOK -10.0 million in 2020 compared to NOK -3.1 million in 2019. The increase is directly related to increased activity at Indre Harøy, as well as other projects that the company is looking in to.

Net cash flow from investment activities amounted to NOK -166.0 million, compared to NOK -25.0 million in 2019. The change in cash flow from investments are directly related to investments at Indre Harøy and gives a good picture of the increased activity level.

In terms of financial activities, 2020 was an eventful year for Salmon Evolution. Following the raising of NOK 258 million in March, the company further raised NOK 50 million through a private placement directed towards Dongwon Industries in July. This placement was

followed by a NOK 500 million private placement in September ahead of our listing at Euronext Growth.

Net cash flow from financing activities ended at NOK 802.7 million.

Cash and cash equivalents increased by NOK 626.7 million during the year, and available cash totalled NOK 647.8 million as of 31 December 2020.

In addition to the equity issues in 2020, the Company completed a NOK 500 million equity issue in March 2021 covering the estimated equity need for Indre Harøy phase 1 and the Company's planned equity commitment for K Smart (Korea).

Financial position

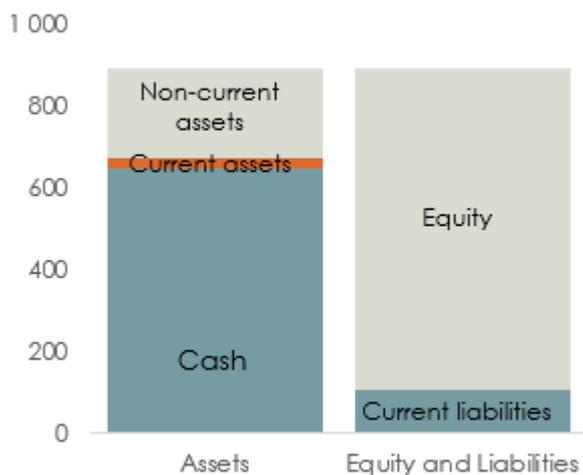
The carrying amount of Salmon Evolution's total fixed assets on 31 December 2020 was NOK 222.4 million, compared to NOK 26.6 million on 31 December 2019. The increase is mainly

related to the purchase of the land and construction work at Indre Harøy, comprising capitalized costs related to both personnel expenses and construction cost, land

acquisition, in addition to some minor amounts in inventory and receivables.

Total equity amounted to NOK 788.4 million. With total assets of NOK 892.8 million, this corresponds to an equity ratio of 88%. Consolidated non-interest-bearing liabilities totalled NOK 62.7 million

Balance sheet as per 31.12.2020 (NOK million)



Source: Company data

On 31 December the consolidated interest-bearing debt was NOK 41.6 million of which

NOK 1.6 million was related to financial leases. The remaining NOK 40 million relates to the purchase of the land at Indre Harøy.

In November, Salmon Evolution was granted a funding commitment of NOK 96.8 million from the state-owned enterprise Enova SF. The funding support is related to the ongoing construction of Salmon Evolution's fish farm at Indre Harøy. The commitment is a cash grant, and the funding will not require any material additional investment needs from Salmon Evolution. The proceeds from this grant are expected paid out in tranches over the course of Indre Harøy phase 1.

In October, Salmon Evolution was granted NOK 14 million in funding from the Norwegian tax incentive scheme Skattefunn. The tax incentive scheme will be distributed over a three-year period and is designed to stimulate research and development (R&D).

Risk exposure and risk management

Interest Rate

The Group's interest rate risk relates primarily to borrowings from financial institutions with variable interest rates. Currently, the Group does not have any fixed-interest loans nor hedge programs to reduce this risk, thus the Group is

exposed to changes in the interest rate. On 31 December 2020, outstanding loans from credit institutions amounted to NOK 40 000 000 and is subject to an interest rate of NIBOR 3M plus an agreed margin of 4,50%.

Foreign Currency

The Group's foreign currency risk relates to the Group's operating, investing and financing activities denominated in a foreign currency. This includes the Group's revenues, expenses and capital expenditures. On 31 December

2020 the Group did not hold any cash balances, pay any expense, nor receive any revenue in currencies other than its presentation and functional currency. The Group's presentation currency is Norwegian Kroner ("NOK").

Credit risk

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, and other receivables, the Group's exposure to credit risk

arises from default of the relevant counterparty, with a maximum exposure equal to the carrying amount of these instruments. This risk is not considered to be material.

Liquidity risk

Management monitors rolling forecasts of the Group's liquidity reserve (comprising cash and cash equivalents) based on expected cash flows. The Group's business plan and growth

strategy is capital intensive, and the Group may be dependent upon future equity issues and/or debt financing in order to finance its current long-term plans.

Covid-19

Salmon Evolution is managing the COVID-19 situation with its highest priority to safeguard its employees, suppliers and partners.

The company has taken necessary measures in all sites and locations to be able to limit the spread of the virus and has not registered any infection among the company's employees or contracted workers. At the same time, the company works to ensure that the construction work progress on time and budget.

The Management has identified the following main risk factors that may impact the company going-forward:

- Currency exchange risks which may impact the construction costs of the land-based salmon facility, measured in NOK.
- Long-term effects on salmon prices which may impact the financial results when the Company starts to generate revenue from the sale of salmon
- Delays in the construction of the company's land-based farming facility as a result of any impacts on the company's subcontractors

Corporate social responsibility

Salmon Evolution is committed to responsible business practices with respect to human rights, labour standards, equality and non-discrimination, social matters, the external environment, and anti-corruption. The Group shall comply with the UN Global Compact principles and OECD guidelines for multinational companies.

Environment

Salmon Evolution's ambition and aim are an inclusive and prosperous development of the aquaculture industry within a stable and resilient earth system. The company's business strategy and objective are to be a leader in producing and selling salmon with lower environmental footprint.

Salmon Evolution strives to reduce the environmental impact of its business. By having a closed system, the company eliminates the risk

Working environment

Salmon Evolution aims to be a good, stimulating place to work, where employees are given the opportunity to use their skills and abilities to contribute both the company's and their own progress. Employees shall receive systematic training and Salmon Evolution can contribute to develop skills on individual basis.

All employees in Salmon Evolution shall enjoy a high level of safety in their work. Salmon Evolution aim for all suppliers and partners to operate to responsible labour standards, and

Covid-19 prevention and preparedness

Salmon Evolution established in 2020 a detailed Covid-19 prevention and preparedness plan to protect employees, business partners and the workplace, while safeguarding uninterrupted and efficient operations. The company has

The Group has developed a Code of Conduct including guidelines for ethical behaviour, anti-corruption, integrity and conflicts of interest, corporate responsibility and whistleblowing. The Code of Conduct applies to all employees, contract workers, board members and other persons acting on behalf of the company. The Code of Conduct is available from the company's website www.salmonevolution.no.

of escapes. Further, energy consumption relating to pumping and heating of water is reduced through reusage of water while at the same time not compromising on fish welfare. Also, the wastewater is filtered, sludge collected and recycled and hence contributing to a circular economy.

The company's sustainability strategy is further described in separate section under Company description.

the company expects contractors and other partners with operational activities to be certified according to the ISO standard for the working environment and safety. The company continuously collaborate with suppliers to make improvements.

There were no injuries or accidents reported or investigated amongst Salmon Evolution employees in 2020.

Total sick leave for the company in 2020 was 0%.

operated in compliance with all national and regional rules and recommendations regarding the pandemic. No Covid-19 cases have been reported among the employees.

Diversity and equal opportunity

Salmon Evolution shall have an inclusive working environment. Discrimination or harassment based on ethnic background, nationality, language, gender, sexual identity or religious faith shall not occur. No cases of discrimination or harassment were reported or investigated in 2020.

The company shall promote equal opportunities and fair treatment of all employees.

At the end of 2020, Salmon Evolution had twelve (12) employees, of whom two (2) are women. This is below the gender balance in The Industry

Sector in Norway, which in 2020 was 76% men and 24% women according to SSB. The executive management group consists of 4 men and 1 woman. Following the election of the new board of directors on 18 March, the board consists of 5 men and 3 women.

Employees of Salmon Evolution may freely join any labour union of their choice. Salmon Evolution shall work to sustain a good relationship with employees and unions.

Anti-corruption and anti-bribery

Salmon Evolution's anti-corruption policy and anti-bribery policy are developed in compliance with the U.S. Foreign Corrupt Practices Act, the U.K Bribery Act and other applicable anti-corruption laws, and states that

Salmon Evolution will not engage in, or otherwise tolerate, any form of bribery or corruption in the business dealings of any member of the Salmon Evolution group. No corruption or bribery cases were reported or investigated in 2020.

Shareholder information

Salmon Evolution was successfully listed on Merkur Market (now Euronext Growth) 18 September 2020. Per 31 December 2020, Salmon Evolution Holding AS had 219.73 million issued shares, divided between 2,255 shareholders.

Ronja Capital was the Company's largest shareholder with 25,021,021 shares, corresponding to 11.4% of the total number of shares outstanding. The 20 largest shareholders

owned 76.4% of the shares in the Company. The closing price for the Company's shares was NOK 6.85 per share as per 30 December, which corresponded to a market capitalization of NOK 1.5billion.

Following the completion of the private placement in March 2021, the total number of outstanding shares increased to 303,064,421 which corresponds to a market capitalization of NOK 1.8 billion as per 21 April 2021.

Corporate governance

Salmon Evolution depends upon good relations with its stakeholders to succeed. Good corporate governance is important to build and

maintain trust and confidence in the company and to ensure long-term value creation in the best interest of the Company's shareholders.

Corporate governance principles and practices

As a Norwegian public limited liability company listed on Euronext Growth, Salmon Evolution bases its corporate governance structure on Norwegian legislation and recommended guidelines. The Company is currently not subject to The Norwegian Corporate Governance Board's (NUES) recommendation on corporate governance but intends to formalize its corporate governance framework according to the latest version of the Norwegian Code of Practice for Corporate Governance (Code of Practice) in 2021 alongside the intended up-listing of the Company's shares to the main list at Oslo Stock Exchange.

Current principles and procedures include rules of procedure for the board of directors,

instruction for the chief executive officer, regulating the division of roles and responsibilities between the board and the CEO, investor relations policy and manuals for handling and disclosing insider information. The Board has also adopted a Code of Conduct including guidelines for anti-corruption, conflicts of interests and whistleblowing routines, stipulating the main principles for ethical business conduct applying to all employees, contract workers, board members and other persons acting on behalf of the company.

The company's governance documents and practices will be subject to regular review by the Board.

Shares and negotiability, equal treatment of shareholders and transactions with close associates

Salmon Evolution has one class of shares, carrying equal voting rights. There are no restrictions on owning, trading or voting for shares in the Company's articles of association. On 11 March 2021, the Company made a private placement where the pre-emptive rights of shareholders were set aside of which reasons for this action were provided in the stock exchange release in connection the placement.

Any transactions in own shares will be carried out either through Oslo Stock Exchange or

otherwise at prevailing market prices. If there is limited liquidity in the Company's shares, the Company will consider other ways to ensure equal treatment of all shareholders.

For major transactions between the Company, its shareholders, subsidiaries, members of the board, leading employees or other close related parties, an evaluation will be performed by an independent third party and treated by the general meeting. For information on transaction with close associates, see note 18 in the annual accounts.

Board of directors, nomination committee and board authorisations

On 18 March 2021, the Company held an extraordinary general meeting (EGM) to approve conversion into a public limited liability company, appoint new board members, establish a nomination committee and grant an authorization to the board of directors to issue the shares in the 11 March 2021 private placement and the issuance of shares in connection with a subsequent offering. In connection with these changes, new articles of association were adopted. Notice with

supplementary information is available on the company's website www.salmonevolution.no.

The articles of association stipulate that the board of directors shall constitute of five to nine directors. The board and the chairperson are elected by the general meeting pursuant to the general meeting's further decision. On 18 March 2021, the following directors were elected to the board:

| Name | Role |
|----------------------------|----------|
| Tore Tønseth | Chair |
| Anne Breiby | Director |
| Glen Allan Bradley | Director |
| Peder Stette | Director |
| Kristofer Reiten | Director |
| Janne-Grethe Strand Aasnæs | Director |
| Ingvild Vartal | Director |
| Yun Ki Yun | Director |

The composition of the board is based on representation of the Company's shareholders, as well as the company's need for competence, experience, capacity and ability to form balanced decisions. Information on each director's expertise, background and capabilities can be found on the company's website www.salmonevolution.no and in the Annual Report 2020.

It was further resolved at the EGM that the Company shall have a nomination committee consisting of minimum three members, as laid down in the new articles of association. The nomination committee will be responsible for proposing candidates to the board and the nomination committee, and remuneration to the members of these bodies. The nomination committee will be elected at the latest at the ordinary general meeting in 2021. From the same time the instructions for the nomination committee will enter into force.

At the EGM, the board was also granted a board authorization for share capital increases of up to 91,666,666 new shares of which 83,333,333 was used to issue the new shares from the 11 March 2021 private placement. As such, the authorization given by the EGM covers up to 8,333,333 remaining new shares and is intended used in the planned subsequent offering. The authorisation is valid until 30 June 2021.

On 23 July 2020, the Company's extraordinary general meeting also granted its board of directors an authorization to issue up to 2,000,000 new shares in the Company, each at a par value of NOK 0.05 and at a minimum subscription price of NOK 3.33. The authorization is valid for a period of two years and can inter alia be used in conjunction with the Company's Share Option Program.

IR policy

The Company's IR policy sets the basic principles for the Company's communication and dialogue with capital markets participants, including guidelines for contact with shareholders outside general meetings. The Company is committed to provide its shareholders accurate, clear, relevant, and complete information on the Company's performance and market position.

Communication with stakeholders shall be based on the principles of equal treatment and transparency to build trust and stakeholder confidence. The responsibility for the Company's investor relations activities lies with the CFO.

Salmon Evolution provides quarterly reports in line with Oslo Stock Exchange' recommendations. Presentations are given in connection with the disclosure of the interim results to provide an overview of operational and financial developments. The presentations are open to the public and made available through a webcast.

All information is provided in English and distributed to the Company's shareholders through Oslo Stock Exchange' news channel www.newsweb.no and on the company's website www.salmonevolution.no.

Transactions with related parties

During the ordinary course of business, the Group engages in certain transactions with related parties.

In 2019, the company entered into an agreement with Artec Aqua AS, a subsidiary of Artec Holding AS, where the company will have an exclusive right to purchase technology and supply capacity from Artec Aqua and which gives Artec Aqua the exclusive right to deliver land-based salmon production facilities to the company.

Pursuant to the agreement entered with Artec Aqua AS in 2019, the company has had a significant volume of transactions with Artec Aqua AS during 2020 related to the ongoing construction of the land-based salmon production facilities. The Group has also pursued one material transaction with Vikomar AS relating to the ongoing construction of the land-based salmon production facilities.

There were no receivables from or non-current liabilities to related parties as of 31.12.20

Outlook

Going into 2021, Salmon Evolution can look back at a ground-breaking year. Founded in 2017 with an ambition to solve some of the most fundamental challenges in the conventional salmon farming industry, 2020 marked the successful transformation from a project to a fully operational listed company.

From being a company with eight employees as per end of 2019, the workforce is expected to grow to around 35 employees as per end of 2021.

Throughout 2020 Salmon Evolution raised NOK 810 million in equity and NOK 111 million in grants with a further NOK 500 million raised in March 2021. Given the capital-intensive nature of land-based salmon farming, having a solid financial position is essential in securing efficient project execution. Together with the mentioned bank debt financing for Indre Harøy, Salmon Evolution is fully funded for the realization of phase 1 at Indre Harøy and our expansion into South Korea.

2020 has also been a very special year in light of the Covid-19 pandemic. During these challenging times, Salmon Evolution's highest priority is to safeguard its employees, suppliers, and other partners, where focus is to follow and implement the local and national advice regarding COVID-19. Looking ahead, the global roll out of vaccines gives reason for optimism and a belief that the world gradually starts reverting to normality over the next quarters.

Despite of the challenges in connection with the pandemic, Salmon Evolution has been able to maintain solid construction progress and is on track for first smolt release during spring 2022.

Several critical milestones under our construction project have also been reached

during 2020 with most of groundworks being completed, finalization of wastewater tunnel and preparations for installation of fish tanks. Over the coming months the massive magnitude of our project at Indre Harøy will become very visual following the installation of the fish tanks which commenced early April.

With a sound financial platform in place, Salmon Evolution can put all efforts in preparing for the next major milestone which is first smolt release. Throughout 2021 the company will grow its workforce significantly and undertake a significant job in building up internal quality and control system ahead of our production start. This also includes significant efforts as to our commercial strategy with respect to sales and distribution where we have high ambitions.

The formalization of our joint venture with Dongwon Industries in South Korea is also a strong testament to the scalability of Salmon Evolution's business model. The company has strong international ambitions and is confident that the structure we now have in place have the correct attributes to secure a successful execution of the project.

South Korea is a highly attractive market with strong growth and solid potential for premium pricing. By teaming up with a first-class partner like Dongwon Industries, Salmon Evolution is able to leverage its operations in a capital efficient manner while at the same time fast-tracking and de-risking the project.

Following a reduction in salmon prices during 2020 on the back of the Covid-19 pandemic, the salmon market has seen a significant recovery during 2021, even on relatively high volumes. Taking into account that the food service market remains very challenging with shutdowns still active in major markets and that global supply of salmon will likely only see

limited growth the next couple of years, Salmon Evolution is optimistic about the market outlook and expects salmon prices to remain at healthy levels for the foreseeable future. With such backdrop, Salmon Evolution is confident that land-based salmon farming will play an important role in meeting the increasing demand for salmon in the coming years.

Although there are many land-based projects being planned, Salmon Evolution does not see this as an immediate threat to salmon supply. Firstly, lead times are very long. Secondly, many of the projects lack financing which we

think will be a challenge for many to obtain. Finally, access to people and competence will likely be an increasing bottleneck in the coming years which will favour the already established players.

In this respect, Salmon Evolution is very pleased with having secured a solid financial platform and taken a first mover position with a very tangible timeline as to production start and first harvest.



**The Board of Directors of Salmon Evolution Holding ASA
Molde/Ålesund 21 April 2021**

Tore Tønseth
Chair

Kristofer Reiten
Director

Anne Breiby
Director



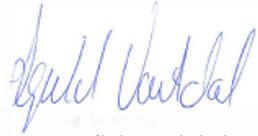
Peder Stette
Director



Glen Allan Bradley
Director



Yun Ki Yun
Director



Ingvild Vartdal
Director



Janne-Grethe Strand Aasnæs
Director



Håkon André Berg
CEO

Statement from the Board of Directors and the CEO

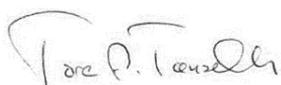
Today, the Board of Directors and the Chief Executive Officer reviewed and approved the Board of Director's report and the consolidated financial statements for Salmon Evolution Holding ASA, for the year ended 31 December 2020.

The financial statements have been prepared in accordance with IFRSs and IFRICs as adopted by the EU and applicable additional disclosure requirements in the Norwegian Accounting Act.

To the best of our knowledge:

- The annual financial statements for 2020 have been prepared in accordance with applicable financial reporting standards
- The annual financial statements give a true and fair view of the assets, liabilities, financial position and profit as a whole as of 31 December 2020 for the Group
- The Board of Directors' report for the Company includes a fair review of:
 - a) the development and performance of the business and the position of the Group, and
 - b) the principal risks and uncertainties the Group face

The Board of Directors of Salmon Evolution Holding ASA Molde/Ålesund 21 April 2021



Tore Tønseth
Chair



Kristofer Reiten
Director



Anne Breiby
Director



Peder Stette
Director



Glen Allan Bradley
Director



Yun Ki Yun
Director



Ingvild Vartdal
Director



Janne-Grethe Strand Aasnæs
Director



Håkon André Berg
CEO

Group consolidated financial statements (IFRS)

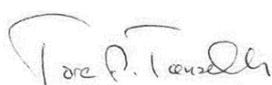
Consolidated statement of income

| Summary of result (figures in NOK 1000) | Note | YTD 2020 | YTD 2019 |
|--|-------|----------------|----------------|
| Total operating income | 9,18 | 704 | -175 |
| Personnel expenses | 10,19 | -8 877 | -3 754 |
| Depreciations | 5,17 | -550 | -181 |
| Other operating expenses | 11 | -8 954 | -7 752 |
| Operating profit (EBIT) | | -17 676 | -11 862 |
| Financial income | 12 | 1 114 | 622 |
| Financial expenses | 12 | -263 | -30 |
| Financial expense - net | | 850 | 593 |
| Profit/loss before tax | | -16 826 | -11 269 |
| Income tax expense | 6 | 0 | 0 |
| Profit/loss for the period | | -16 826 | -11 269 |

Consolidated statement of financial position

| (figures in NOK 1000) | Note | 31 Dec 2020 | 31 Dec 2019 |
|--------------------------------------|-----------|----------------|---------------|
| Assets | | | |
| Intangible assets | 5 | 432 | 0 |
| Assets under construction | 5,8 | 219 926 | 25 546 |
| Property, plant & equipment | 5 | 331 | 352 |
| Right-of-use assets | 17 | 1 678 | 712 |
| Total non-current assets | | 222 367 | 26 610 |
| Other current receivables | 8,14 | 22 638 | 2 749 |
| Cash and cash equivalents | 4,13 | 647 806 | 21 124 |
| Total current assets | | 670 444 | 23 873 |
| Total assets | | 892 810 | 50 483 |
| Equity and liabilities | | | |
| Share capital | 16 | 10 987 | 1 500 |
| Share premium | 16 | 804 369 | 49 500 |
| Other reserves | | 2 974 | 780 |
| Other equity | | 520 | 0 |
| Uncovered losses | | -30 407 | -13 581 |
| Total equity | | 788 442 | 38 198 |
| Long-term interest bearing debt | 3,4 | 0 | 1 500 |
| Lease liabilities - long term | 3,4,17 | 933 | 227 |
| Total non-current liabilities | | 933 | 1 727 |
| Short-term interest bearing debt | 3,4 | 40 000 | 0 |
| Trade payables | 3,4,15,18 | 60 104 | 8 401 |
| Social security and other taxes | 15 | 1 144 | 799 |
| Lease liabilities - short term | 3,4,17 | 696 | 394 |
| Other current liabilities | 15 | 1 491 | 963 |
| Total current liabilities | | 103 435 | 10 557 |
| Total liabilities | | 104 368 | 12 285 |
| Total equity and liabilities | | 892 810 | 50 483 |

The Board of Directors of Salmon Evolution Holding ASA
 Molde/Ålesund 21 April 2021



Tore Tønseth
 Chair



Kristofer Reiten
 Director



Anne Breiby
 Director



Peder Stette
Director



Glen Allan Bradley
Director



Yun Ki Yun
Director



Ingvild Vartdal
Director



Janne-Grethe Strand Aasnæs
Director



Håkon André Berg
CEO

Consolidated statement of cash flow

| (figures in NOK 1000) | Note | 2020 | 2019 |
|---|------|-----------------|----------------|
| Cash flow from operations | | | |
| Profit before income taxes | | -16 826 | -11 269 |
| Adjustments for: | | | |
| Depreciation | 5 | 550 | 181 |
| Net interest | | -850 | -593 |
| Share based payment expenses | 19 | 2 714 | 780 |
| Gain on lease modification | 17 | -7 | 0 |
| Changes in working capital: | | | |
| Change in other current receivables | | -20 | 0 |
| Change in trade payables | | 2 695 | -2 049 |
| Change in social security and other taxes | | 345 | 8 235 |
| Change in other current liabilities | | 528 | 1 570 |
| Cash generated from operations | | -10 871 | -3 146 |
| Interest paid | | -263 | -30 |
| Interest received | | 1 114 | 622 |
| Net cash flow from operations | | -10 021 | -2 553 |
| Cash flow from investment activities | | | |
| Payments for fixed assets and other capitalizations | 5 | -165 529 | -25 021 |
| Payments for intangible assets | | -432 | 0 |
| Net cash flow from investment activities | | -165 961 | -25 021 |
| Cash flow from financing activities | | | |
| Proceeds from issue of equity | | 764 355 | 50 000 |
| Proceeds from new borrowings | 4 | 40 000 | 0 |
| Repayment of borrowings | | -1 500 | -1 500 |
| Repayment of lease liabilities | 16 | -191 | -172 |
| Net cash flow from financing activities | | 802 664 | 48 328 |
| Net change in cash and cash equivalents | | 626 682 | 20 753 |
| Cash and cash equ. at the beginning of the period | | 21 124 | 370 |
| Cash and cash equ. at the end of the period | | 647 806 | 21 124 |

Consolidated statement of changes in equity

| (figures in NOK 1000) | Share capital | Share premium | Other reserves | Other equity | Uncovered losses | Total equity |
|--|---------------|----------------|----------------|--------------|------------------|----------------|
| Balance at 1 January 2019 | 1 000 | 0 | 0 | 0 | -2 312 | -1 312 |
| Profit/loss for the period | 0 | 0 | 0 | 0 | -11 269 | -11 269 |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income | 0 | 0 | 0 | 0 | -11 269 | -11 269 |
| Capital increase, net of transaction costs | 500 | 49 500 | 0 | 0 | 0 | 50 000 |
| Share options issued | 0 | 0 | 780 | 0 | 0 | 780 |
| Transactions with owners | 500 | 49 500 | 780 | 0 | 0 | 50 780 |
| Balance at 31 December 2019 | 1 500 | 49 500 | 780 | 0 | -13 581 | 38 198 |
| Balance at 1 January 2020 | 1 500 | 49 500 | 780 | 0 | -13 581 | 38 198 |
| Profit/loss for the period | 0 | 0 | 0 | 0 | -16 826 | -16 826 |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income | 0 | 0 | 0 | 0 | -16 826 | -16 826 |
| Capital increase, net of transaction costs | 9 457 | 752 901 | 0 | 0 | 0 | 762 357 |
| Share options issued | 0 | 0 | 2 714 | 0 | 0 | 2 714 |
| Share options exercised | 30 | 1 968 | -520 | 520 | 0 | 1 998 |
| Transactions with owners | 9 487 | 754 869 | 2 194 | 520 | 0 | 767 069 |
| Balance at 31 December 2020 | 10 987 | 804 369 | 2 974 | 520 | -30 407 | 788 442 |

Notes to the annual financial statements 2020

Note 1 Summary of significant accounting principles

General information

Salmon Evolution Holding ASA (the "Company") and its subsidiary Salmon Evolution AS ("SE"), jointly referred to as "the Group", is a Norwegian business headquartered in Molde in Møre og Romsdal. SE is in the process of constructing a land-based salmon farming facility at Indre Harøy with a planned annual harvesting capacity of 31,500 tonnes HOG. The build-out is expected to be in three phases, with the first phase expected to consist of land acquisition, building of foundation, water pumps supporting the facility and build out of 12 grow out tanks. SE will operate a hybrid flowthrough system ("HFS"), replacing the water every four hours with clear and fresh water from the Norwegian coast. Construction start of phase I was in Q1 2020 with expected completion in Q4 2022. Production is expected to start during Q1 2022 when the first smolt is expected to enter the holding tanks with expected first harvest in Q4 2022. Phase II consists of build out of an additional 12 grow out tanks with first smolt entered in Q1 2024. The business plan also includes a build-out of a smolt & hatchery facility. The last construction phase, phase III, consists of build-out of an additional 24 grow out tanks. Expected completion of phase III is during 2028.

Consolidation

Salmon Evolution Holding ASA (converted from a limited liability company (AS) into a public limited company (ASA) on 19 March 2021) was incorporated on 23 July 2020 prior to the planned listing on Euronext Growth (previously Merkur Market) which was completed on 18 September 2020. These consolidated statements for the period ended 31 December 2020 include Salmon Evolution Holding ASA together with its subsidiary Salmon Evolution AS. Please note that the comparable financial statement periods (i.e. 2019 and 31 December 2019) only reflects Salmon Evolution AS.

Consolidation principles

Subsidiaries are all entities over which the Group has control. The Group considers control over an entity to exist when the Group is exposed to, or has the right to, variable returns from its involvement with the entity and can affect those returns through its ability to direct the operations of the entity. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The accompanying consolidated financial statements include the accounts of Salmon Evolution AS. When necessary, adjustments are made to the local financial statements of the Group subsidiaries to conform with the consolidated Group's accounting policies presented under IFRS. All intercompany balances, transactions, and unrealized gains from intercompany transactions are eliminated upon consolidation. Unrealized losses from intercompany transactions are also eliminated upon consolidation unless the transaction provides evidence of an impairment of the transferred asset. The assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date in which the Group gains control until the date in which the Group ceases to control the subsidiary.

Basis of preparation

The consolidated financial statements of the Group for the year ended 31 December 2020 comply with IFRS as endorsed by EU. The consolidated financial statements ended 31 December 2020 comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity and note disclosures.

Going concern

The Group has adopted the going concern basis in preparing its consolidated financial statements. When assessing this assumption, management has assessed all available information about the future. This comprises information about net cash flows from existing customer contracts and other service contracts, debt service and obligations. After making such assessments, management has a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future.

Basis of measurement

The financial statements have been prepared under the historical cost convention.

Use of estimates

Critical accounting judgments and estimates are disclosed in note 2.

Functional and presentation currency

Items included in the financial statements are presented in the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Norwegian kroner (NOK), which is the Groups' functional and presentation currency.

Transactions and balances

Transactions in currencies other than the entity's functional currency (foreign currency) are translated into the functional currency using the exchange rates at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other financial items.

Non-monetary items that are measured at fair value in a foreign currency are converted to NOK using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not subsequently revaluated.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and when the company is compliant with all conditions attached. When the grant relates to an expense item, it is recognized as income over the period that the costs it is intended to compensate are expensed. When the grant relates to an asset, it is deducted from the carrying amount of the asset - the grant is then recognized in profit or loss over the useful life of a depreciable asset by way of a reduced depreciation charge. Government grants are presented in the accompanying statements of profit and loss as other income.

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Information relating to the Company's employee option scheme is set out in note 19. The fair value of options granted under the scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (eg the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (eg profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (eg the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Income Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Leases

All leasing agreements with a duration exceeding 12 months are capitalized as financial leases. The Group assesses whether a legally enforceable contract is or contains a lease at the inception date of the contract. The assessment includes several criteria to be determined based on judgment that includes whether there is an identifiable asset in connection to the lease, whether the Group has the right to control the use of the identifiable asset, and whether the Group can obtain substantially all economic benefits from the identifiable asset.

The Group recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The lease liability is calculated based on the present value of the contractual minimum lease payments using the implicit interest rate of the lease. The Group uses the incremental borrowing rate in the case the implicit rate cannot be readily determined from the lease contract. The contractual minimum lease payments consist of fixed or variable payments, including those resulting from options in which management is reasonably certain it will exercise during the lease term. The lease liability is subsequently measured at amortized cost under the effective interest rate during the lease term and may also be adjusted to management's reassessment of future lease payments based on options exercised, renegotiations, or changes of an index rate.

The ROU asset is calculated based on the lease liability, plus initial direct costs towards the lease, and less any incentives granted by the lessor. The ROU asset is subsequently amortized under the straight-line method under the shorter of the lease term or the useful life of the underlying asset and is included as part of depreciation and amortization in the accompanying statements of other comprehensive income.

Leases that fall under the IFRS 16 short-term exception are recognized on a straight-line method over the lease term.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade receivables, loans and other receivables

Trade receivables, loans and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See note 4 and 15 for further information about the Group's accounting for trade receivables, loans, other receivables, and credit risk.

Property, plant & equipment

Property, plant, and equipment is capitalized at acquisition cost, which includes capitalized borrowing costs, less accumulated depreciation and impairment losses, if any. Acquisition costs include expenditures that are directly attributable to the acquisition and placement of fixed assets in service. Costs of major replacements and renewals that substantially extend the economic life and functionality of fixed asset are capitalized. Costs associated with normal maintenance and repairs are expensed as incurred.

Assets are normally considered property, plant, and equipment if the useful economic life exceeds one year. Straight-line depreciation is applied over the useful life of property, plant, and equipment based on the asset's historical cost and estimated residual value at disposal. If a substantial part of an asset has an individual and different useful life, that portion is depreciated separately. The asset's residual value and useful life are evaluated annually. Gains or losses arising from the disposal or retirement of an asset are determined as the difference between the sales proceeds and the

carrying amount of the asset and recognized as part of other income in the accompanying statements of other comprehensive income.

Depreciation is charged to expense when the property, plant or equipment is ready for use or placed in service. As such, assets under construction are not depreciated.

Intangible assets

Expenses related to research activities are expensed as incurred. Expenses related to development activities are capitalized if the product or process is technically and commercially feasible, and the Group has adequate resources to complete the development.

Patents are capitalized and measured at cost less accumulated amortization and any accumulated impairment losses, if any.

Impairment

Management reviews long-lived assets for impairment annually, or more frequently, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying value to determine if an adjustment for impairment to such asset is necessary. The effect of any impairment would be to expense the difference between the fair value of such asset and its carrying value. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. As of 31 December 2020, and 2019, management did not consider an allowance for impairment necessary for long-lived assets.

Classification of current and non-current items

Assets are classified as current when it is expected to be realized or sold, or to be used in the Group's normal operating cycle or falls due or is expected to be realized within 12 months after the end of the reporting date. Assets that do not fall under this definition is classified as non-current. Liabilities are classified as current when they are expected to be settled in the normal operating cycle of the Group or are expected to be settled within 12 months after the reporting date, or if the Group does not have an unconditional right to postpone settlement for at least 12 months after the reporting date. Liabilities that do not fall under this definition are classified as non-current.

Trade and Other Receivables

Trade receivables are initially recognized at amortized cost, less a provision for expected credit losses. Credit loss provisions are based on individual customer assessments over each reporting period and not on a 12-month period.

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings derecognized when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in consolidated statement of profit or loss within the line other financial items, net.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The Group has entered into loan agreements during Q4 2020, of which the following principles related to borrowing costs have been applied, in accordance with IAS 23:

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

Trade and Other Payables

Trade and other payables represent unpaid liabilities for goods and services provided to the Group prior to the end of the financial year and are presented as current liabilities unless payment is not due within 12 months after the reporting period. Trade and other payables are recognized initially at their fair value and are subsequently measured at amortized cost using the effective interest method.

Pensions

The Group offers a defined contribution plan to its employees and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual, or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Contributions are recognized as employee benefit expense when they are due and are included as part of salary and personnel costs in the statement of profit and loss. Prepaid contributions are recognized as an asset to the extent in which a cash refund or a reduction in the future payments is available.

Statement of cash flows

The accompanying statements of cash flows are prepared in accordance with the indirect method.

Note 2 Critical estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the Group's financial statements:

1) Capitalised costs as assets under construction

As part of the construction of the Group's production facilities, the Group has capitalised certain costs (such as personnel expenses, rent of premises and equipment and other project related costs), as "assets under construction" in accordance with IAS 16 based on an allocation key. The allocation key is employee-based and has been calculated based on the employees that are directly involved in the assets under construction's share of the total salary in the Group. Reference is made to note 5 for details of additions to "assets under construction".

Note 3 Financial risk and capital management

The Group's financial assets and liabilities include trade and other receivables, trade and other payables, cash, and borrowings necessary for its operations. The Group's risk management is carried out by the Group's finance department. The Group is exposed to market risk, credit risk, and liquidity risk.

Market risk

Interest Rate

The Group's interest rate risk relates primarily to borrowings from financial institutions with variable interest rates. Currently, the Group does not have any fixed-interest loans nor hedge programs to reduce this risk, thus the Group is exposed to changes in the interest rate. On 31 December 2020, outstanding loans from credit institutions amounted to NOK 40 000 000 and is subject to an interest rate of NIBOR 3M plus an agreed margin of 4,50%.

Interest rate sensitivity

| NOK thousands | 2020 | 2019 |
|--|------|------|
| Interest expense effect of a 1% increase on floating interest rate | 111 | 3 |

Foreign Currency

The Group's foreign currency risk relates to the Group's operating, investing, and financing activities denominated in a foreign currency. This includes the Group's revenues, expenses and capital expenditures. On 31 December 2020 the Group did not hold any cash balances, pay any expense, nor receive any revenue in currencies other than its presentation and functional currency. The Group's presentation currency is Norwegian Kroner ("NOK").

Credit risk

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. This risk is not considered to be material.

Liquidity risk

Management monitors rolling forecasts of the Group's liquidity reserve (comprising cash and cash equivalents) based on expected cash flows. The Group's business plan and growth strategy is capital intensive, and the Group may be dependent upon future equity issues and/or debt financing to finance its current long-term plans.

| 31 December 2020 | Less than 3 months | 3-12 months | 1-5 years |
|-----------------------------|--------------------|-------------|-----------|
| NOK thousands | | | |
| Borrowings | 0 | 40 000 | 0 |
| Lease liabilities | 171 | 526 | 933 |
| Trade payables | 60 104 | 0 | 0 |
| Total financial liabilities | 60 275 | 40 526 | 933 |

| 31 December 2019 | Less than 3 months | 3-12 months | 1-5 years |
|-----------------------------|--------------------|-------------|-----------|
| NOK thousands | | | |
| Borrowings | 0 | 0 | 1 500 |
| Lease liabilities | 97 | 298 | 227 |
| Trade payables | 8 401 | 0 | 0 |
| Total financial liabilities | 8 498 | 298 | 1 727 |

Covid-19

Salmon Evolution is managing the COVID-19 situation with its highest priority to safeguard its employees, suppliers and partners.

The company has taken necessary measures in all sites and locations to be able to limit the spread of the virus and has not registered any infection among the company's employees or contracted workers. At the same time, the company works to ensure that the construction work progress on time and budget.

The Management has identified the following risk factors that may impact the company going-forward:

- Currency exchange risks which may impact the construction costs of the land-based salmon facility, measured in NOK.
- Long-term effects on salmon prices which may impact the financial results when the company starts to generate revenue from the sale of salmon
- Delays in the construction of the company's land-based farming facility as a result of any impacts on the company's subcontractors

Note 4 - Financial assets and financial liabilities

| Financial assets | | |
|--|----------------|---------------|
| NOK thousands | 31 Dec 2020 | 31 Dec 2019 |
| Financial assets at amortised cost: | | |
| Cash and cash equivalents | 647 806 | 21 124 |
| Other current receivables | 22 638 | 2 749 |
| Total financial assets | 670 444 | 23 873 |

| Financial liabilities | | |
|---|----------------|---------------|
| NOK thousands | 31 Dec 2020 | 31 Dec 2019 |
| Financial liabilities at amortised cost: | | |
| Short-term interest-bearing debt | 40 000 | 1 500 |
| Lease liabilities | 1 630 | 622 |
| Trade payables | 60 104 | 8 401 |
| Social security and other taxes | 1 144 | 799 |
| Other current liabilities | 1 491 | 963 |
| Total financial liabilities | 104 368 | 12 285 |

| Interest bearing debt | | |
|------------------------------------|---------------|--------------|
| NOK thousands | 31 Dec 2020 | 31 Dec 2019 |
| Short-term interest-bearing debt | 40 000 | 1 500 |
| Lease liabilities | 1 630 | 622 |
| Total interest-bearing debt | 41 630 | 2 122 |
| Current portion | 40 696 | 0 |
| Non-current portion | 933 | 1 727 |
| Total interest-bearing debt | 41 630 | 1 727 |

The Group entered into three new loan agreements as part of the financing of the property at Indre Harøy, the location of the land-based farming facility under construction. The loans were paid out in November 2020. The loans are according to the loan agreements repayable in full on 1 September 2021 and are as such classified as part of current liabilities in the statement of financial position on 31 December 2020. The loans will be refinanced as part of a new syndicate loan arrangement before the maturity date of the loans.

The loans are floating interest rate loans denominated in NOK with an interest charge based on NIBOR 3M plus an agreed margin.

Incurred interest expenses and establishing fees are capitalized as part of assets under construction in accordance with IAS 23.

Note 5 - Property, plant and equipment and intangible assets

| NOK thousands | Intangible assets | Assets under construction | Fixtures and fittings | Total |
|---|-------------------|---------------------------|-----------------------|---------|
| Cost 1 January 2020 | 0 | 25 546 | 450 | 25 997 |
| Additions | 432 | 194 379 | 289 | 195 100 |
| Disposals | 0 | 0 | 0 | 0 |
| Cost 31 December 2020 | 432 | 219 926 | 739 | 221 097 |
| Accumulated depreciation 1 January 2020 | 0 | 0 | (99) | (99) |
| Depreciation for the period | 0 | 0 | (310) | (310) |
| Net book value 31 December 2020 | 432 | 219 926 | 331 | 220 688 |

| NOK thousands | Intangible assets | Assets under construction | Fixtures and fittings | Total |
|---|-------------------|---------------------------|-----------------------|--------|
| Cost 1 January 2019 | 0 | 975 | 0 | 975 |
| Additions | 0 | 24 571 | 450 | 25 021 |
| Disposals | 0 | 0 | 0 | 0 |
| Cost 31 December 2019 | 0 | 25 546 | 450 | 25 997 |
| Accumulated depreciation 1 January 2019 | 0 | 0 | 0 | 0 |
| Depreciation for the period | 0 | 0 | (99) | (99) |
| Net book value 31 December 2019 | 0 | 25 546 | 352 | 25 898 |

Straight-line depreciation is applied over the useful life of property, plant, and equipment based on the asset's historical cost and estimated residual value at disposal. Depreciation is charged to expense when the property, plant or equipment is ready for use or placed in service. As such, assets under construction are not depreciated. Assets under construction as on 31 December 2020 consisted mainly of capitalised costs related to the land acquisition at Indre Harøy and the turnkey project with Artec Aqua for building a land-based salmon farming facility at Indre Harøy, Møre og Romsdal.

The intangible asset is related to a trademark considered to have a perpetual life. The trademark is not amortized.

Capitalization of costs as asset under construction:

Costs incurred recognised as part of "Other operating expenses" in the "Consolidated Statement of Profit or Loss" during 2020 has been capitalized as on 31 December 2020 as these costs are deemed to be part of the ongoing assets under construction and qualify for capitalisation in accordance with IAS 16. As a result, the reported "Other operating expenses" in 2020 reflects the incurred costs during this period, net of such capitalized costs related to the entire 12 months period ending 31 December 2020 which amounted to approximately NOK 2m.

Contractual and financial commitments

The Group is in the process of building a land-based salmon farming facility at Indre Harøy. The turnkey project agreement includes a clause for financing reservations until further financing is secured, limiting the Group's financial commitments to the following items where the financing reservation has been lifted as of 31 December 2020:

| NOK thousands | 31 Dec 2020 |
|------------------------------------|----------------|
| Ground enterprise contract | 153 458 |
| Engineering | 55 981 |
| Technical equipment | 33 960 |
| Fishing tanks | 26 274 |
| Concrete element | 21 167 |
| Fish handling and transport | 5 503 |
| Total financial commitments | 296 343 |

Note 6 - Taxes

Calculation of deferred tax/deferred tax benefit

| NOK thousands | 2020 | 2019 |
|---|----------|----------|
| Fixed assets | (4 757) | 12 |
| Right-of-use assets | 1 678 | 712 |
| Lease liabilities | (1 755) | (747) |
| Other current liabilities | 0 | (216) |
| Net temporary differences | (4 833) | (239) |
| Tax losses carried forward | (73 841) | (13 861) |
| Basis for deferred tax | (78 674) | (14 100) |
| Deferred tax (22%) | (17 308) | (3 102) |
| Deferred tax benefit not recognized in the balance sheet* | 17 308 | 3 102 |
| Deferred tax in the balance sheet | - | - |

*Deferred tax benefit has not been recognised in the balance sheet as the company is in its start-up phase and does not have any historical results to refer to when assessing whether future taxable profits will be sufficient to utilize the tax benefit.

Basis for income tax expense, changes in deferred tax and tax payable

| NOK thousands | 2020 | 2019 |
|---|----------|----------|
| Result before taxes | (16 826) | (11 269) |
| Permanent differences* | (47 748) | 1 054 |
| Basis for the tax expense in the current year | (64 574) | (10 215) |
| Change in temporary differences | 4 594 | 239 |
| Basis for payable taxes in the income statement | (59 980) | (9 976) |

*The permanent differences in 2020 mainly relates to costs in connection with the Group's listing on Euronext Growth, in addition to tax incentive scheme ("Skattefunn") as described further in note 8.

Components of the tax expense

| NOK thousands | 2020 | 2019 |
|---|----------|----------|
| Payable tax on this year's result | - | - |
| Total payable tax | - | - |
| Change in deferred tax | (14 206) | (2 247) |
| Change in deferred tax not shown in the balance sheet | 14 206 | 2 247 |
| Tax expense | - | - |
| NOK thousands | 2020 | 2019 |
| Result before taxes | (16 826) | (11 269) |
| Calculated tax (22%) | (3 702) | (2 479) |
| Tax expense | - | - |
| Difference | 3 702 | 2 479 |

The difference consists of:

| | | |
|---|----------|-------|
| Tax on permanent differences | (10 505) | 232 |
| Change in tax rate | - | - |
| Change in deferred tax | - | - |
| Change in deferred tax due to change in tax rate | - | - |
| Change in deferred tax not shown in the balance sheet | 14 206 | 2 247 |
| Sum explained differences | 3 702 | 2 479 |

Note 7 – Earnings per share

| NOK thousands | 2020 Consolidated | 2019 |
|--|----------------------|---------------|
| Loss attributable to the equity owners of the Parent company | (16 826) | (11 269) |
| Loss for calculation of diluted earnings per share | (16 826) | (11 269) |
| Weighted average number of shares outstanding ¹⁾ | 126 555 681 | 29 166 667 |
| Dilutive options | - | - |
| Average number of shares and options used in calculation for diluted EPS | 126 555 681 | 29 166 667 |
| Basic earnings per share (NOK) | (0,13) | (0,39) |
| Diluted earnings per share (NOK) | (0,13) | (0,39) |

Basic earnings per share calculations are based on the weighted average number of common shares outstanding during the period.

Diluted earnings per share calculations are performed using the weighted average number of common shares and dilutive common shares equivalents outstanding during each period. Options are dilutive when they result in the issue of ordinary shares for less than the average market price of ordinary shares during the period. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price in the period is treated as an issue of ordinary shares for no consideration.

1)

2020: Salmon Evolution AS issued 77,503,182 new shares in a capital raise in March 2020. On July 3rd 2020: Salmon Evolution Holding ASA was incorporated by issuing 600,000 shares. Further, the Company carried out a private placement including contribution in kind issuing 119,131,088 new

shares on 23. July 2020. Lastly, the Company issued 100,000,000 new shares in connection with the listing of its shares on Merkur Market (now Euronext Growth). The weighted average number of shares outstanding as of 31 December 2020 has been calculated by applying a weight of 3/12 to the number of shares before the capital raise in March 2020 (30,000,000 shares), 4/12 to the total number of shares after such capital raise (107,503,182 shares), 1/12 to the total number of shares after the private placement (119,731,088 shares) and 4/12 to the total number of shares after the initial public offering (219,731,088 shares)

2019: The Company issued 500 new shares in a capital raise in January 2019. Further there was a share split conducted in June 2019 that increased the number of shares to 30,000,000. In accordance with IAS 33.64, a retrospective adjustment of the weighted average number of shares has been made due to the share split. As such, the weighted average number of shares outstanding in H1 2019 has been calculated by applying a weight of 1/12 to the number of shares after the share split held by the shareholders prior to the capital raise in January 2019 (20,000,000 shares), and 11/12 to the total number of shares after the share split held by the shareholders after the capital raise (30,000,000 shares).

Note 8 – Government grants

The Group has received a commitment from The Norwegian Research Council (Norsk Forskningsråd) for three projects. The grant is given for one period of three years and is related to the tax incentive scheme "SkatteFUNN" which is a government program designed to stimulate research and development (R&D) in Norwegian trade and industry. The receivable is accounted for as a short-term receivable from the tax authorities. In the financial accounts, the receivable related to the grant is netted against the related asset's acquisition cost. Grants for 2020 amounted to NOK 4,750,000.

| NOK thousands | 2020 |
|--|--------|
| Systems for water treatment in large-scale land based salmon farming | 13 542 |
| Logistics systems in large-scale land-based salmon farming | 8 775 |
| Washing and disinfection in land-based salmon farming | 9 576 |
| Total "SkatteFUNN" project costs in 2020 | 31 893 |

Further, the Group has received a commitment from Enova. Enova SF is owned by the Ministry of Climate and Environment and contributes to reduced greenhouse gas emissions, development of energy and climate technology and a strengthened security of supply. The total commitment from Enova is up to NOK 96,862,500 and the grant is given over a period of approx. two years. In the financial accounts, the receivable related to the grant is netted against the related asset's acquisition cost. Grants for 2020 amounted to NOK 430,723.

| NOK thousands | 2020 |
|--|------|
| Energy-efficient land-based food fish plant for salmon | 876 |
| Total "Enova" project costs in 2020 | 876 |

Government grants 2019

Government grants in 2019 was related to "RDA funds", given in order to compensate for being located in a municipality with higher rates for employer's national insurance contribution. The grant is considered a subsidy and part of the government's efforts to support the aquaculture industry and the industry in the region itself. The grant was recognized as other income in the income statement.

Note 9 – Other income

| NOK thousands | 2020 | 2019 |
|--------------------------------|------|-------|
| Other income | 704 | (175) |
| Total other operating expenses | 704 | (175) |

Other income in 2020 was mainly related to the following two transactions. NOK 667 thousand related to the sale of surplus material from the development area, while NOK 30 thousand related to sale of consulting hours.

Other income was in 2019 related to "RDA funds", given in order to compensate for being located in a municipality with higher rates for employer's national insurance contribution. The grant was considered a subsidy and part of the government's efforts to support the aquaculture industry and the industry in the region itself.

Note 10 - Personnel expenses, remuneration to the board and auditor's fee

| NOK thousands | 2020 | 2019 |
|--|---------|---------|
| Salaries | 8 479 | 7 835 |
| Social security | 1 312 | 265 |
| Pensions | 500 | 266 |
| Other benefits | 797 | 385 |
| Share-based payments | 2 714 | 780 |
| Gross personnel expenses | 13 802 | 9 531 |
| - Capitalized costs | (4 925) | (5 777) |
| Total personnel expenses recognized in P&L | 8 877 | 3 754 |

| | | |
|---|----------|----------|
| Number of full-time employment equivalents | 8 | 6 |
|---|----------|----------|

During the ordinary course of business, the Group capitalizes portions of total salary and personnel costs towards assets under construction.

Norwegian entities are obligated to establish a mandatory company pension. This obligation is fulfilled under the current pension plan. No loans or guarantees have been given to the members of the board of directors or executive management.

Remuneration and compensation to members of the board

| NOK thousands | 2020 | 2019 |
|--|--------------|------------|
| Tore Tønseth (Chairman of the Board) – From March 2020 | 80 | na. |
| Kristofer Reiten (Member of the Board) – Chairman until March 2020 | 240 | 140 |
| Glen Bradley (Member of the Board) | 140 | 29 |
| Frode Kjølås (Member of the Board) | 140 | 29 |
| Peder Stette (Member of the Board) | 140 | 29 |
| Ingjarl Skarvøy (Member of the Board) – Until March 2020 | 100 | 41 |
| Per Olav Mevold (Member of the Board) – Until March 2020 | 100 | 70 |
| Anders Sandøy (Member of the Board) – Until March 2020 | 100 | 29 |
| Frank Småge (Member of the Board) – Until March 2020 | 100 | 29 |
| Jonny Småge (Member of the Board) – Until March 2020 | na. | 41 |
| Total board of Directors | 1 140 | 438 |

Remuneration and compensation to executive management 2020

| NOK thousands | Salary | Pension | Other | Total |
|--|--------------|------------|------------|--------------|
| Håkon André Berg (CEO/CFO) ¹⁾ | 1 819 | 60 | 22 | 1 901 |
| Ingjarl Skarvøy (COO) ²⁾ | 1 366 | 63 | 155 | 1 584 |
| Trond Valderhaug (CCO) ³⁾ | 381 | 18 | | 400 |
| Kamilla Mordal Holo (Project Director) | 1 008 | 48 | 11 | 1 066 |
| Odd Tore Finnøy (CEO) ⁴⁾ | 1 553 | - | | 1 560 |
| | | | 7 | |
| Total executive management | 6 127 | 189 | 195 | 6 511 |

1) Håkon André Berg was appointed CEO in the spring of 2020 after serving as CFO from November 2019.

2) Ingjarl Skarvøy was also a member of the Board and wages presented in the table above are net of such remuneration.

3) Trond Valderhaug was appointed CCO in October 2020.

4) Odd Tore Finnøy resigned as CEO following the appointment of Håkon André Berg.

5) Trond Håkon Schaug-Petterson has been appointed as CFO with effect from 1 January 2021.

Håkon André Berg (CEO), Ingjarl Skarvøy (COO) and Trond Håkon Schaug-Petterson (CFO) have all non-compete clauses in their employment agreements which entitle them to a compensation corresponding to 6 month's severance pay.

Remuneration and compensation to executive management 2019

| NOK thousands | Salary | Pension | Other | Total |
|--|-------------|------------|------------|-------------|
| Ingjarl Skarvøy (CEO/COO) ¹⁾ | 1282 | 64 | 97 | 1444 |
| Odd Tore Finnøy (CEO) ²⁾ | 844 | 42 | 8 | 895 |
| Håkon André Berg (CFO) ³⁾ | 233 | 12 | 500 | 745 |
| Kamilla Mordal Holo (Project Director) ⁴⁾ | 513 | 26 | 8 | 547 |
| Total executive management | 2873 | 144 | 614 | 3630 |

1) Ingjarl Skarvøy resigned from his position as CEO in the company in June 2019 and continued in the company as COO. As such, his compensation relates to a combination of his period as CEO and COO.

2) Odd Tore Finnøy was employed in the company as CEO from 1 June 2019. As such, the salary relates to 7 months of employment.

3) Håkon André Berg was employed in the company as CFO from 1 November 2019. As such, the salary relates to 2 months of employment. The NOK 500 000 "Other" related to Håkon Andre Berg is related to a sign-on fee.

4) Kamilla Mordal Holo was appointed in May 2019.

Auditor's remuneration

| NOK thousands | 2020 | 2019 |
|-----------------|------|------|
| Statutory audit | 205 | 20 |
| Other services | 117 | 11 |
| Total | 322 | 31 |

Note 11 – Other operating expenses

| NOK thousands | 2020 | 2019 |
|---|-------|-------|
| Cost of premises | 156 | 90 |
| Hired equipment | 23 | 99 |
| Other operating and administrative expenses | 2 110 | 2 026 |
| Insurance | 173 | 92 |
| Consultancy fees | 6 493 | 5 445 |
| Total other operating expenses | 8 954 | 7 752 |

Note 12 – Financial income and expenses

| NOK thousands | 2020 | 2019 |
|----------------------------------|-------|------|
| Interest income | 1 114 | 622 |
| Financial income | 1 114 | 622 |
| Interest expense | (29) | (3) |
| Interest expense lease liability | (28) | (27) |
| Other financial expenses | (206) | 0 |
| Financial expense | (263) | (30) |
| Net financial income (expense) | 851 | 593 |

Interest income is mainly related to interest on cash deposits held with Norwegian financial institutions. Incurred interest expenses and establishing fees are capitalized as part of assets under constructions in accordance with IAS 23.

Note 13 - Cash and restricted cash

| NOK thousands | 31 Dec 2020 | 31 Dec 2019 |
|---------------------------------|-------------|-------------|
| Cash in bank | 647 009 | 20 578 |
| Restricted bank deposits | 796 | 546 |
| Total cash and cash equivalents | 647 806 | 21 124 |

Restricted cash are related to tax withholdings for employees (NOK 0.796m). The Group has no undrawn credit facilities as of 31 December 2020.

Note 14 - Other current receivables

| NOK thousands | 31 Dec 2020 | 31 Dec 2019 |
|-------------------------------------|-------------|-------------|
| Prepaid expenses | 58 | 227 |
| VAT receivable | 16 860 | 2 172 |
| Other receivables | 539 | 350 |
| Government grant ("Enova") | 431 | 0 |
| Tax incentive scheme ("Skattefunn") | 4 750 | 0 |
| Total other current receivables | 22 638 | 2 749 |

As of 31 December 2020 and 2019, the Group's other current receivables were due within one year and considered fully collectible. Accordingly, the fair value of the Group's other current receivables was equal to nominal value, no bad debt was recognized for the year then ended, and management did not consider a provision for uncollectible accounts necessary.

Receivables denominated in foreign currencies are valued at the daily rate. Due to the short-term nature of current receivables, their carrying amount is considered equal to their fair value. As of 31 December 2020 and 2019, the Group's other current receivables, specified by currencies, consisted of the following:

| NOK thousands | 31 Dec 2020 | 31 Dec 2019 |
|---------------------------------|-------------|-------------|
| NOK | 22 638 | 2 749 |
| Other | 0 | 0 |
| Total other current receivables | 22 638 | 2 749 |

Note 15 - Trade and other current liabilities

| NOK thousands | 31 Dec 2020 | 31 Dec 2019 |
|----------------------|-------------|-------------|
| Trade payables | 60 104 | 8 401 |
| Total trade payables | 60 104 | 8 401 |

| NOK thousands | 31 Dec 2020 | 31 Dec 2019 |
|---|-------------|-------------|
| Payroll withholding tax | 796 | 546 |
| Employer's national insurance contributions | 347 | 253 |
| Total social security and other taxes | 1 144 | 799 |

| NOK thousands | 31 Dec 2020 | 31 Dec 2019 |
|--|-------------|-------------|
| Accrued employer's social security contribution | 121 | 72 |
| Accrued salaries, holiday pay and bonus provisions | 1 024 | 675 |
| Severance pay accrual | 0 | 216 |
| Accrued interest expense | 277 | 0 |
| Other current liabilities | 69 | 0 |
| Total other current liabilities | 1 491 | 963 |

Note 16 - Share capital

| | Outstanding | Nominal value |
|----------------------|----------------|---------------|
| Ordinary shares | 219 731 088 | 0,05 |
| NOK thousands | | |
| | 31 Dec 2020 | 31 Dec 2019 |
| Share capital | 10 987 | 1 500 |
| Share premium | 804 369 | 49 500 |
| Total | 815 355 | 51 000 |

The number of shares issued in the Company at 31 December 2020 was 219 731 088 with a nominal value of NOK 0.05 each. All shares carry equal voting rights.

Salmon Evolution AS issued 77,503,182 new shares in a capital raise in March 2020. On July 3rd 2020, Salmon Evolution Holding AS was incorporated by issuing 600,000 shares. Further, the Group carried out a private placement including contribution in kind issuing 119,131,088 new shares on 23 July 2020. Lastly, the Company issued 100,000,000 new shares in connection with the listing of its shares on Merkur Market (now Euronext Growth).

20 largest shareholders as of 31.12.20

| | No of shares | Percentage share |
|---|--------------------|------------------|
| Ronja Capital AS | 25 021 021 | 11.4 % |
| Romsdalsfisk AS | 20 256 006 | 9.2 % |
| Farvatn Private Equity AS | 15 427 212 | 7.0 % |
| The Bank of New York Mellon SA/NV | 14 451 124 | 6.6 % |
| Rofisk AS | 12 107 508 | 5.5 % |
| Hongkong And Shanghai Banking Corp | 11 627 906 | 5.3 % |
| Stette Invest AS | 10 402 672 | 4.7 % |
| Kjølås Stansekniver AS | 9 706 006 | 4.4 % |
| Jakob Hatteland Holding AS | 8 706 006 | 4.0 % |
| Artec Holding AS | 7 806 006 | 3.6 % |
| Verdipapirfondet Dnb Norge | 5 736 528 | 2.6 % |
| Verdipapirfondet Norge Selektiv | 5 686 575 | 2.6 % |
| Salmoserve AS | 3 459 546 | 1.6 % |
| Vpf Dnb Am Norske Aksjer | 3 286 106 | 1.5 % |
| SEB Prime Solutions CARN | 3 213 759 | 1.5 % |
| Klaveness Marine Finance AS | 2 526 308 | 1.1 % |
| Småge Eiendom AS | 2 200 000 | 1.0 % |
| Verdipapirfondet DNB Miljøinvest | 2 097 324 | 1.0 % |
| Verdipapirfondet Delphi Norge | 2 066 611 | 0.9 % |
| Ocean Supreme Holding AS | 2 041 501 | 0.9 % |
| Total 20 largest shareholders | 167 825 725 | 76.4 % |
| Other shareholders | 51 905 363 | 23.6 % |
| Total number of shares outstanding | 219 731 088 | 100.0% |

As of 31 December 2020, shares directly held by members of the Board of Directors, Chief Executive officer, and Executive Management consisted of the following:

| | No of shares | Percentage share |
|--|-------------------|------------------|
| Ingjarl Skarvøy (COO) (Terra Mare AS) | 1 800 150 | 0,8 % |
| Kristofer Reiten (Member of the Board) (Bortebakken AS) | 728 000 | 0,3 % |
| Glen Allan Bradley (Member of the Board) (Ocean Industries AS and private) | 1 470 000 | 0,7 % |
| Frode Håkon Kjølås (Member of the Board) (Kjølås Stansekniver AS)* | 9 706 006 | 4,4 % |
| Peder Stette (Member of the board) (Stette Invest AS) | 10 402 672 | 4,7 % |
| Håkon André Berg (CEO) (Carried Away AS) | 75 075 | 0,0 % |
| Kamilla Mordal Holo (Project Director) (C10 Holding AS) | 60 060 | 0,0 % |
| Total | 24 241 963 | 11,0 % |

*Frode Håkon Kjølås resigned as a director on 18 March 2021

Note 17 – Leases

Amounts recognised in the balance sheet

| NOK thousands | 31 Dec 2020 | 31 Dec 2019 |
|----------------------------|-------------|-------------|
| Right-of-use assets | | |
| Rent of premises | 919 | 363 |
| Car | 205 | 349 |
| Office supply | 554 | 0 |
| Total right-of-use assets | 1 678 | 712 |
| Lease liabilities | | |
| Current | 696 | 394 |
| Non-current | 933 | 227 |
| Total lease liabilities | 1 630 | 622 |

Additions to right-of-use assets in 2020 were NOK 1,524 thousand and related to new premises and office supply.

The Groups previous rental agreement for premises, recognized as a right-of-use asset as of 31 December 2019, was amended to end on 30 June 2020. As a result of this lease modification, the Group has during 2020 realised a gain of NOK 7 thousand.

Amounts recognised in the statement of profit or loss

| NOK thousands | 2020 | 2019 |
|--|-------|-------|
| Depreciation right-of-use assets | | |
| Rent of premises | 145 | 218 |
| Car | 145 | 84 |
| Office supply | 50 | 0 |
| Gross depreciation | 340 | 302 |
| - Capitalized as assets under construction | (100) | (220) |
| Net depreciation | 240 | 82 |
| Interest expense lease liability | 28 | 27 |

The total cash outflow for leases in 2020 was NOK 319 thousand.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third-party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentive received
- any initial direct costs, and - restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Group has entered into several lease agreements that are considered to qualify as short-term and/or low value in accordance with IFRS 16. Payments associated with such short-term and low-value leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Note 18 - Related party transactions

During the ordinary course of business, the Group engages in certain transactions with related parties. The following is a summary of related party transactions carried out in the period:

During the year 2019, the Group entered into an agreement with Artec Aqua AS, a subsidiary of Artec Holding AS, where the Group will have an exclusive right to purchase technology and supply capacity from Artec Aqua and which gives Artec Aqua the exclusive right to deliver land-based salmon production facilities to the Group. There were no transactions that affected the financial statements in 2019 as a result of this agreement.

Pursuant to the agreement entered with Artec Aqua AS in 2019, the Group has had a significant volume of transactions with Artec Aqua AS during 2020 related to the ongoing construction of the land-based salmon production facilities. The Group has also pursued one material transaction with Vikomar AS relating to the ongoing construction of the land-based salmon production facilities.

Income from related parties:

| NOK thousands | 2020 |
|---|-------|
| Vikomar AS | 5 046 |
| Total income from related parties (Incl. VAT) | 5 046 |

Expenses to related parties:

| NOK thousands | 2020 |
|---|---------|
| Artec Aqua AS | 169 762 |
| Carried Away AS | 15 |
| Total expenses to related parties (Incl. VAT) | 169 777 |

Current liabilities to related parties

| NOK thousands | 31.12.2020 |
|--|------------|
| Artec Aqua AS | 56 293 |
| Total current liabilities to related parties | 56 293 |

There were no receivables from or non-current liabilities to related parties as of 31.12.20.

Note 19 - Share based payments

The Company has granted options to employees as of 31 December 2020. The options have been granted at different points in time during the year, and key assumptions listed below are as such averages of the different grants. Each option gives the holder the right to subscribe or purchase shares in the Company at an average agreed exercise price of NOK 5.25. The options were granted on 25 August 2020 and 28 September 2020 and has 18-month maturity. The options can be exercised at earliest, 12 months after the grant date. To account for this, an adjusted Black & Scholes option-pricing model is used by applying a weighted expected average life of 15 months.

The fair value of the options is set on the grant date and is expensed over its lifetime. The fair value of the options has been calculated using the adjusted Black & Scholes option-pricing model, which takes into account the exercise price, the term of the option, the share price at the grant date, expected price volatility of the underlying share, expected dividend and risk-free rates. Given the recent listing and lack of historical price and volatility data, the expected volatility is based on historical volatility for a selection of comparable companies listed on Oslo Stock Exchange ("Oslo Børs"). The risk-free interest rate is set to equal the interest on Norwegian government bonds with the same maturity as the option. Average key assumptions are listed below.

| Outstanding options (in thousands) | 2020 | 2019 |
|--------------------------------------|-------|------|
| Outstanding options 1 January | 900 | 0 |
| Options granted | 1 625 | 900 |
| Options exercised | 600 | 0 |
| Options forfeited | 300 | 0 |
| Outstanding options at end of period | 1 625 | 900 |

| NOK thousands | 2020 | 2019 |
|-----------------------------|-------|------|
| Charges to income statement | 2 714 | 780 |

| Key assumptions | 2020 | 2019 |
|---|--------|--------|
| Average fair value (NOK) | 5,25 | 3,33 |
| Average exercise price (NOK) | 5,25 | 3,33 |
| Weighted expected average life (in years) | 1,25 | 0,53 |
| Estimated dividend per share (NOK) | 0,00 | 0,00 |
| Expected average volatility | 71,3 % | 90,8 % |
| Risk-free rate | 0,21 % | 1,13 % |

Note 20 - Events after the reporting date

Joint Venture

On 26 February 2021 the Group signed a joint venture term sheet with Dongwon Industries for a 49/51 owned joint venture to develop, construct and operate a land-based salmon farming facility in South Korea using Salmon Evolution's HFS technology. The project is aiming to achieve an annual capacity of 20,000 tonnes LWE or 16,800 tonnes HOG.

Salmon Evolution and Dongwon target construction start during 2022, with commencement of grow out production in 2024. The term sheet was later formalized into definitive agreements on 31 March 2021.

Successful Private Placement

On 11 March 2021 the Company announced that a Private Placement was successfully placed through the conditional allocation of 83,333,333 shares, each at a subscription price of NOK 6,00 per share, raising gross proceeds of approx. NOK 500 million. Following completion of the Private Placement the Company have a share capital of NOK 15,153,221 divided through 303,064,421 shares, each with a nominal value of NOK 0.05.

Following this Private Placement and combined with the expected bank debt financing for Indre Harøy phase 1, the Group is fully financed for the first building phase at Indre Harøy, and have the needed equity contribution for the development in South Korea and K-Smart Farming.

Conversion to public limited company

At the extraordinary general meeting that was held on 18 March 2021 the shareholders approved a conversion of the legal form of the Company from a private limited liability company (AS) to a public limited liability company (ASA).

In addition to this, the board of directors has resolved to initiate a process for applying for an up-listing of the Company's Shares to the main list at Oslo Stock exchange and aims to complete such up-listing during Q2/Q3 2021.

Signed committed term sheet for NOK 625 million debt financing package

On 16 April 2021 the Company announced that it had entered into a committed term sheet (the "Term Sheet") with Nordea as agent and Sparebanken Vest as co-lender (jointly the "Lenders") for a senior secured debt financing package of up to NOK 625 million relating to its phase 1 build out at Indre Harøy.

The debt financing package consists of the following credit facilities:

- NOK 525 million senior secured credit facility which will be used to finance construction capex for Indre Harøy phase 1 (the "Construction Facility")
- NOK 525 million in long term debt which will refinance the Construction Facility upon completion of Indre Harøy phase 1 and consisting of the following:

- NOK 385 million senior secured term loan facility with the Lenders (the “Term Loan Facility”)
- NOK 140 million in a separate long term loan facility with a third-party lender (the “Third-Party Loan”). The Third-Party Loan will be subject to a coordination agreement with the Lenders and the Company has a separate process ongoing to secure and finalize this facility
- NOK 100 million senior secured overdraft facility (the “Overdraft Facility”) which will be used for working capital purposes, hereunder financing of biomass and receivables

The Construction Facility and the Term Loan Facility is partly guaranteed by the Norwegian Export Credit Guarantee Agency (“GIEK”). The Term Loan Facility will be repaid over a 15-year profile and have a 3-year term from completion of Indre Harøy phase 1 with 2x1 year extension options.

Credit committee approvals have been undertaken by both the Lenders and GIEK and the debt financing package is further subject to customary conditions precedent, including due diligence and finalization and signing of legally binding documentation.

The Company expects closing of the respective facilities during Q2 2021.

Parent company financial statement

Income statement

Summary of result

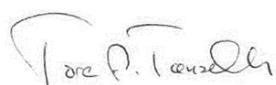
(figures in NOK 1000)

| | Note | 2020 |
|-----------------------------------|------|------------|
| Total operating income | | 0 |
| Personnel expenses | | 0 |
| Depreciations | | 0 |
| Other operating expenses | | -20 |
| Operating profit (EBIT) | | -20 |
| Financial income | | 394 |
| Financial expenses | | -124 |
| Financial expense - net | | 270 |
| Profit/loss before tax | | 251 |
| Income tax expense | 4 | 0 |
| Profit/loss for the period | | 251 |

Balance sheet

| (figures in NOK 1000) | Note | 31 Dec 2020 |
|--|------|----------------|
| Assets | | |
| Investment in subsidiaries | 2 | 279 230 |
| Total non-current assets | | 279 230 |
| Other current receivables | | 189 |
| Cash and cash equivalents | | 520 245 |
| Total current assets | | 520 434 |
| Total assets | | 799 663 |
| Equity and liabilities | | |
| Share capital | 6 | 10 987 |
| Share premium | 5,6 | 783 183 |
| Other reserves | | 2 714 |
| Other equity | | 0 |
| Retained earnings | | 251 |
| Total equity | | 797 134 |
| Trade payables | | 599 |
| Current liabilities to Group Companies | 3 | 1 930 |
| Total non-current liabilities | | 2 529 |
| Total liabilities | | 2 529 |
| Total equity and liabilities | | 799 663 |

The Board of Directors of Salmon Evolution Holding ASA Molde/Ålesund 21 April 2021



Tore Tønseth
Chair



Kristofer Reiten
Director



Anne Breiby
Director



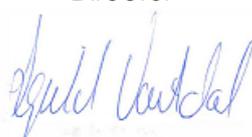
Peder Stette
Director



Glen Allan Bradley
Director



Yun Ki Yun
Director



Ingvild Vartdal
Director



Janne-Grethe Strand Aasnæs
Director



Håkon André Berg
CEO

Cash flow

| (figures in NOK 1000) | Note | 2020 |
|---|------|-----------------|
| Cash flow from operations | | |
| Profit before income taxes | | 251 |
| Adjustments for: | | |
| Net interest | | -270 |
| Changes in working capital: | | |
| Change in other current receivables | | -189 |
| Change in trade payables | | 599 |
| Change in current liabilities to Group companies (excl. Group contribution) | | 1 679 |
| Change in other current liabilities | | 0 |
| Cash generated from operations | | 2 070 |
| Interest paid | | -124 |
| Interest received | | 394 |
| Net cash flow from operations | | 2 340 |
| Cash flow from investment activities | | |
| Investment in Group Companies | 2 | -276 516 |
| Net cash flow from investment activities | | -276 516 |
| Cash flow from financing activities | | |
| Founding capital | | 30 |
| Proceeds from issue of equity, net of paid transaction costs | | 794 140 |
| Proceeds from intercompany borrowings | 3 | 0 |
| Net cash flow from financing activities | | 794 170 |
| Net change in cash and cash equivalents | | 519 994 |
| Cash and cash equ. at the beginning of the period | | 0 |
| Cash and cash equ. at the end of the period | | 519 994 |

Statement of changes in equity

| (figures in NOK 1000) | Share capital | Share premium | Retained Earnings | Other reserves | Total equity |
|--|---------------|----------------|-------------------|----------------|----------------|
| Balance at 1 January 2020 | 0 | 0 | 0 | 0 | 0 |
| Profit/loss for the period | 0 | 0 | 251 | 0 | 251 |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income | 0 | 0 | 251 | 0 | 251 |
| Incorporation, 3 July 2020 | 30 | 0 | 0 | 0 | 30 |
| Capital increase, net of transaction costs | 10 957 | 783 183 | 0 | 0 | 794 140 |
| Share options issued | 0 | 0 | 0 | 2 714 | 2 714 |
| Transactions with owners | 10 987 | 783 183 | 0 | 2 714 | 796 854 |
| Balance at 31 December 2020 | 10 987 | 783 183 | 251 | 2 714 | 797 134 |

Note 1 - Summary of significant accounting policies

General information

Salmon Evolution Holding ASA (the "Company") is a Norwegian business headquartered in Molde in Møre og Romsdal and is listed on Euronext Growth with the ticker symbol "SALME". Salmon Evolution Holding ASA owns the following subsidiary;

- Salmon Evolution AS ("SE"), headquartered and located in Molde, Norway.

The Company and SE are jointly referred to as the "Group".

SE is in the process of constructing a land-based salmon farming facility at Indre Harøy with a planned annual harvesting capacity of 31,500 tonnes HOG. The build-out is expected to be in three phases, with the first phase expected to consist of land acquisition, building of foundation, water pumps supporting the facility and build out of 12 grow out tanks. SE will operate a hybrid flowthrough system ("HFS"), replacing the water every four hours with clear and fresh water from the Norwegian coast. Construction start of phase I was in Q1 2020 with expected completion in Q4 2022. Production is expected to start during Q1 2022 when the first smolt is expected to enter the holding tanks with expected first harvest in Q4 2022. Phase II consists of build out of an additional 12 grow out tanks with first smolt entered in Q1 2024. The business plan also includes a build-out of a smolt & hatchery facility. The last construction phase, phase III, consists of build-out of an additional 24 grow out tanks. Expected completion of phase III is during 2028.

Basis of preparation and accounting principles

The financial statements of the Company have been prepared in accordance with the Norwegian Accounting Act § 3-9 and Finance Ministry's prescribed regulations from 21 January 2008 on simplified IFRS. Principally this means that recognition and measurement comply with the International Accounting Standards (IFRS) and presentation and note disclosures are in accordance with the Norwegian Accounting Act and generally accepted accounting principles. Any exceptions from measurement and recognition according to IFRS is disclosed below.

Accounting period

The Company was incorporated on 3 July 2020. As such, the accounting period for the financial statements are 3 July 2020 - 31 December 2020.

Going concern

The Company has adopted the going concern basis in preparing its financial statements. When assessing this assumption, management has assessed all available information about the future. This comprises information about net cash flows from existing customer contracts and other service contracts, debt service and obligations. After making such assessments, management has a reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future.

Basis of measurement

The financial statements have been prepared under the historical cost convention.

Investments in subsidiaries

Investments in subsidiaries are valued at cost in the company accounts. The investment is valued as cost of acquiring shares, providing they are not impaired. An impairment loss is recognised for the amount by which the carrying amount of the subsidiary exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. The recoverable amount of an investment in a subsidiary would normally be based on the present value of the subsidiary's future cash flow.

Dividends and group contributions

The Company has applied simplifications in regard to the Directives specified by the Norwegian Ministry of Finance on 21. of January 2008, related to accounting treatment of dividends and group contributions: Dividends and group contributions will be treated in accordance with the Norwegian Accounting Act and deviates from IAS 10 no. 12 and 13.

Classification of current and non-current items

Assets are classified as current when it is expected to be realized or sold, or to be used in the Company's normal operating cycle, or falls due or is expected to be realized within 12 months after the end of the reporting date. Assets that do not fall under this definition is classified as non-current. Liabilities are classified as current when they are expected to be settled in the normal operating cycle of the Company or are expected to be settled within 12 months after the reporting date, or if the Company does not have an unconditional right to postpone settlement for at least 12 months after the reporting date. Liabilities that do not fall under this definition are classified as non-current.

Taxes

Income Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint

ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and Other Receivables

Trade receivables are initially recognized at amortized cost, less a provision for expected credit losses. Credit loss provisions are based on individual customer assessments over each reporting period and not on a 12-month period.

Trade and other payables

Trade and other payables represent unpaid liabilities for goods and services provided to the Company prior to the end of the financial year and are presented as current liabilities unless payment is not due within 12 months after the reporting period. Trade and other payables are recognized initially at their fair value and are subsequently measured at amortized cost using the effective interest method.

Statement of cash flows

The accompanying statements of cash flows are prepared in accordance with the indirect method.

Note 2 - Investments in subsidiaries

| NOK thousands | Location and place of business | Ownership/ voting right | Equity 31.12.20 (100%) | Result 2020 (100%) | Balance sheet value |
|--|--------------------------------|-------------------------|------------------------|--------------------|---------------------|
| Salmon Evolution AS | Molde, Norway | 100 % | 270 789 | (17 076) | 279 230 |
| Balance sheet value as of 31 December 2020 | | | | | 279 230 |

Investments in subsidiaries are valued at cost in the company accounts. The investment is valued as cost of acquiring shares, providing they are not impaired. An impairment loss is recognised for the amount by which the carrying amount of the subsidiary exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. The recoverable amount of an investment in a subsidiary would normally be based on the present value of the subsidiary's future cash flow. As of 31.12.2020 no impairment indicators were assessed to be present for the Company's investments.

Movement in investment in subsidiaries during 2020 is analysed in the following way:

| NOK thousands | |
|----------------------------------|---------|
| Opening balance 03 July 2020 | 276 516 |
| Share options issued | 2 714 |
| Closing balance 31 December 2020 | 279 230 |

Note 3 - Intercompany balances and intercompany transactions

| NOK thousands | Non-current receivables | Current receivables | Non-current liabilities | Current liabilities |
|-----------------------------|-------------------------|---------------------|-------------------------|---------------------|
| Salmon Evolution AS | 0 | 0 | - | 1 930 |
| Total intercompany balances | 0 | 0 | - | 1 930 |

Intercompany and related party transactions:

The current liabilities to Salmon Evolution AS are related to receivable expenses incurred in Salmon Evolution AS regarding the capital raising in Salmon Evolution Holding AS.

Intercompany and related party transactions:

There were no other transactions with group companies and related parties in 2020 or 2019.

Note 4 – Taxes

Calculation of deferred tax/deferred tax benefit

| NOK thousands | 2020 |
|---|---------|
| Fixed assets | 0 |
| Right-of-use assets | 0 |
| Lease liabilities | 0 |
| Other current liabilities | 0 |
| Net temporary differences | 0 |
| Tax losses carried forward | 32 096 |
| Basis for deferred tax | 32 096 |
| Deferred tax (22%) | 7 061 |
| Deferred tax benefit not recognized in the balance sheet* | (7 061) |
| Deferred tax in the balance sheet | - |

*Deferred tax benefit has not been recognised in the balance sheet as the Company is in its start-up phase and does not have any historical results to refer to when assessing whether future taxable profits will be sufficient to utilize the tax benefit.

Basis for income tax expense, changes in deferred tax and tax payable

| NOK thousands | 2020 |
|---|----------|
| Result before taxes | 251 |
| Permanent differences* | (32 346) |
| Basis for the tax expense in the current year | (32 096) |
| Change in temporary differences | - |
| Basis for payable taxes in the income statement | (32 096) |

*The Permanent differences in 2020 mainly relates to costs in connection with the Company's listing in Euronext Growth.

Components of the tax expense

| NOK thousands | 2020 |
|---|---------|
| Payable tax on this year's result | - |
| Change in deferred tax | (7 061) |
| Change in deferred tax not shown in the balance sheet | 7 061 |
| Tax expense | - |

Note 5 - Personnel expenses, remuneration to the board and auditor's fee

Personnel expenses and remuneration to executives

There are no employees in the Company. Remuneration to members of the board and executive management was expensed through subsidiary Salmon Evolution AS. For details of compensation to the Board of Directors and executive management, refer to Note 10 in the consolidated Group Financial Statements

Auditor's remuneration expensed in 2020

| NOK thousands | 2020 |
|-----------------|------|
| Statutory audit | - |
| Other services | 40 |
| Total | 40 |

Fees of NOK 40,000 was paid to the auditor for confirmation of capital deposits at the foundation of the Company. The amount is recognised in the balance sheet as part of the Capital increase.

Note 6 – Share capital

| | Outstanding | Nominal value |
|-----------------|-------------|---------------|
| Ordinary shares | 219 731 088 | 0,05 |

| NOK thousands | 31 Dec 2020 | 31 Dec 2019 |
|---------------|-------------|-------------|
| Share capital | 10 987 | 0 |
| Share premium | 783 183 | 0 |
| Total | 794 170 | 0 |

The number of shares issued in the Company on 31 December 2020 was 219,731,088 with a nominal value of NOK 0.05 each. All shares carry equal voting rights.

On 3 July 2020, Salmon Evolution Holding AS was established issuing 600,000 shares. Further, the Company carried out a private placement including contribution issuing 119,131,088 new shares on 23 July 2020. Lastly, the Company issued 100,000,000 new shares in connection with the initial public offering of its shares in connection with the listing on Merkur Market (now Euronext growth).

The overview of the 20 largest shareholders as of 31.12.20 and shares held by members of the Board of Directors, Chief Executive Offices and Executive Management is included in Note 16 – Share capital of the Group's notes to the consolidated financial statements.

Note 7 – Events after reporting date

Joint Venture

On 26 February 2021 the Group signed a joint venture term sheet with Dongwon Industries for a 49/51 owned joint venture to develop, construct and operate a land-based salmon farming facility in South Korea using Salmon Evolution's HFS technology. The project is aiming to achieve an annual capacity of 20,000 tonnes LWE or 16,800 tonnes HOG.

Salmon Evolution and Dongwon target construction start during 2022, with commencement of grow out production in 2024. The term sheet was later formalized into definitive agreements on 31 March 2021.

Successful Private Placement

On 11 March 2021 the Company announced that a Private Placement was successfully placed through the conditional allocation of 83,333,333 shares, each at a subscription price of NOK 6.00 per share, raising gross proceeds of approx. NOK 500 million. Following completion of the Private Placement the Company have a share capital of NOK 15,153,221 divided through 303,064,421 shares, each with a nominal value of NOK 0.05.

Following this Private Placement and combined with the expected bank debt financing for Indre Harøy phase 1 as per signed committed term sheet, the Group is fully financed for the first building phase at Indre Harøy, and have the needed equity contribution for the development in South Korea and K-Smart Farming.

Conversion to public limited company

At the extraordinary general meeting that was held on 18 March 2021 the shareholders approved a conversion of the legal form of the Company from a private limited liability company (AS) to a public limited liability company (ASA).

In addition to this, the board of directors has resolved to initiate a process for applying for an up-listing of the Company's Shares to the main list at Oslo Stock exchange and aims to complete such up-listing during Q2/Q3 2021.

Signed committed term sheet for NOK 625 million debt financing package

On 16 April 2021 the Company announced that it had entered into a committed term sheet (the "Term Sheet") with Nordea as agent and Sparebanken Vest as co-lender (jointly the "Lenders") for a senior secured debt financing package of up to NOK 625 million relating to its phase 1 build out at Indre Harøy.

The debt financing package consists of the following credit facilities:

- NOK 525 million senior secured credit facility which will be used to finance construction capex for Indre Harøy phase 1 (the "Construction Facility")
- NOK 525 million in long term debt which will refinance the Construction Facility upon completion of Indre Harøy phase 1 and consisting of the following:
 - NOK 385 million senior secured term loan facility with the Lenders (the "Term Loan Facility")

- NOK 140 million in a separate long term loan facility with a third-party lender (the “Third-Party Loan”). The Third-Party Loan will be subject to a coordination agreement with the Lenders and the Company has a separate process ongoing to secure and finalize this facility
- NOK 100 million senior secured overdraft facility (the “Overdraft Facility”) which will be used for working capital purposes, hereunder financing of biomass and receivables

The Construction Facility and the Term Loan Facility is partly guaranteed by the Norwegian Export Credit Guarantee Agency (“GIEK”). The Term Loan Facility will be repaid over a 15 year profile and have a 3 year term from completion of Indre Harøy phase 1 with 2x1 year extension options.

Credit committee approvals have been undertaken by both the Lenders and GIEK and the debt financing package is further subject to customary conditions precedent, including due diligence and finalization and signing of legally binding documentation.

The Company expects closing of the respective facilities during Q2 2021.

Independent Auditor's Report

To the General Meeting in Salmon Evolution Holding ASA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Salmon Evolution Holding ASA.

| | |
|--|---|
| <p>The financial statements comprise:</p> <ul style="list-style-type: none">• The financial statements of the parent company, which comprise the balance sheet as at 31 December 2020, income statement, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and• The financial statements of the group, which comprise the balance sheet as at 31 December 2020, and income statement, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. | <p>In our opinion:</p> <ul style="list-style-type: none">• The financial statements are prepared in accordance with the law and regulations.• The accompanying financial statements give a true and fair view of the financial position of Salmon Evolution Holding ASA as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.• The accompanying financial statements give a true and fair view of the financial position of the group Salmon Evolution Holding ASA as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU. |
|--|---|

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report and other information in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements for the parent company in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and for the preparation of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to:

<https://revisorforeningen.no/revisjonsberetninger>

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Molde, 21 April 2021
BDO AS



Roald Viken
State Authorised Public Accountant

Important of abbreviations used in this report

LW: Live weight
HOG: Head on gutted
HFS: Hybrid flow-through system
ESG: Environmental, Social and Governance
CAGR: Compounded Annual Growth Rate

ABOUT SALMON EVOLUTION

Salmon Evolution is a Norwegian land-based salmon farming company focused on extending the ocean's potential by transferring the best preconditions offered by the sea to farm fish on land through its hybrid flow-through system technology (HFS). This secures a truly sustainable production process with controlled and optimal growth conditions and limiting operational and biological risk.

The Company's first production facility is under construction at Indre Harøy, strategically located on the Norwegian west coast with unlimited access to fresh seawater, renewable energy, established infrastructure for salmon farming, and an educated and experienced work force. The entire project is designed for an annual capacity of approx. 31,500 tonnes HOG.

The Company has also entered a joint venture with Dongwon Industries where the parties will develop, construct and operate a land-based salmon farming facility in South Korea with an annual production capacity of 16,800 tonnes HOG, using Salmon Evolution's HFS technology.

Salmon Evolution Holding ASA is listed at Euronext Growth under the ticker SALME.



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